

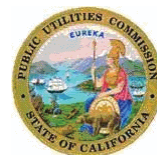


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APPENDIX A

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of **Suburban Water Systems** (U339W) for Authority to Increase Rates Charged for Water Service by \$11,020,932 or 15.25% in 2018, by \$6,148,017 or 7.38% in 2019, and by \$5,543,562 or 6.20% in 2020.

Application 17-01-001
(Filed January 3, 2017)

**JOINT MOTION OF SUBURBAN WATER SYSTEMS AND
THE OFFICE OF RATEPAYER ADVOCATES FOR THE ADOPTION
OF A SETTLEMENT AGREEMENT**

Selina Shek
Tovah Trimming
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: (415) 703-2423
Telephone: (415) 703-3309
Facsimile: (415) 703-4592
Email: selina.shek@cpuc.ca.gov
tovah.trimming@cpuc.ca.gov

*Attorneys for the Office of Ratepayer
Advocates*

Joseph M. Karp
Louise Dyble
Winston & Strawn LLP
101 California Street, 35th Floor
San Francisco, California 94111
Telephone: (415) 591-1000
Facsimile: (415) 591-1400
Email: jkarp@winston.com
ldyble@winston.com

Attorneys for Suburban Water Systems

August 15, 2017

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of **Suburban Water Systems** (U339W) for Authority to Increase Rates Charged for Water Service by \$11,020,932 or 15.25% in 2018, by \$6,148,017 or 7.38% in 2019, and by \$5,543,562 or 6.20% in 2020.

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OF A SETTLEMENT AGREEMENT**

I. INTRODUCTION

Pursuant to Rule 12.1 *et seq.* of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), and in accordance with rulings issued by the assigned Administrative Law Judges (“ALJs”) in this proceeding, the Commission’s Office of Ratepayer Advocates (“ORA”) and Suburban Water Systems (“Suburban”), (collectively, the “Parties”), hereby move for Commission adoption of a partial settlement of issues in the above-captioned proceeding as reflected in the Settlement Agreement (“Settlement”) attached as Appendix A. The Parties mutually and jointly support the proposed Settlement as reasonable, consistent with the law, and in the public interest.

II. BACKGROUND

Pursuant to the Rate Case Plan adopted in Decision 07-05-062, on January 3, 2017 Suburban applied for authority to increase rates charged for water service by \$11,020,932 or 15.25% in 2018, by \$6,148,017 or 7.38% in 2019, and by \$5,543,562 or 6.20% in 2020. On February 8, 2017, ORA filed a protest to the application. On February 21, 2017, Suburban filed a reply to the protest.

ALJs Darcie Houck and Gary Weatherford held a prehearing conference on March 9, 2017. On April 14, 2017, the Commission issued the Joint Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judges. ORA served testimony on May 1, 2017 recommending a rate increase of 0.64% in test year 2018 and Suburban served rebuttal testimony on May 16, 2017. Public Participation Hearings (“PPHs”) were held on June 26 and June 27, 2017 in La Mirada and West Covina, respectively.

The Parties engaged in informal settlement discussions and mediation under the Commission’s alternative dispute resolution program in Los Angeles from June 5 through June 13, 2017. Evidentiary hearings were held in San Francisco on July 6 and July 7, 2017, and an additional evidentiary hearing will be held on August 25, 2017. During the July 6 hearing, assigned Commissioner Martha Guzman Aceves requested that the Parties consider and address issues raised during PPHs in this proceeding. On August 2, 2017 the ALJs issued a ruling requiring the parties to provide additional information in this motion on the issues identified by the Commissioner at the hearings and on related matters as set forth in such ruling. A discussion of those issues and the required additional information is included below.

A Joint Status Report was filed on July 25, 2017, in compliance with a ruling issued verbally by the ALJs during the July 7 hearing. A formal settlement conference was properly noticed pursuant to Rule 12.1(b) and held on August 14, 2017, which resulted in resolution of all but four disputed issues.¹

III. ANALYSIS

A. Commission Requirements for Settlement.

Under Rule 12.1(d), the Commission will not approve settlements, whether contested or

¹ The disputed issues are: 1) whether Suburban should be allowed to include in rate base roughly \$5.4 million of Information Technology capital projects undertaken by its parent company; 2) the forecast of regulatory expenses for Suburban’s next General Rate Case proceeding; 3) the federal income tax rate to be applied in this proceeding; and 4) the requirements for confidentiality applicable to future Suburban General Rate Case proceedings.

uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

1. *The Settlement Is Reasonable*

The Commission has a well-established policy of adopting settlements if they are fair and reasonable in light of the whole record.² This policy reduces the expense of litigation, conserves scarce Commission resources, and allows parties to “reduce the risk that litigation will produce unacceptable results.”³ In Decision 00-09-034, the Commission held that the Parties’ evaluation of their respective litigation positions and an appropriate outcome should carry material weight in the Commission’s review of a settlement.⁴

In this proceeding, the proposed Settlement is reasonable in light of the whole record because it will allow Suburban to recover a reasonable amount of costs and promotes operational efficiency, infrastructure development and investment, while at the same time keeping customer rates as low as is reasonable. The Settlement is mutually beneficial to both Suburban and its customers. The Parties recommend that the Commission find the Settlement reasonable in light of the whole record.

2. *The Settlement Is Consistent With The Law*

The Parties are aware of no statutory provision or prior Commission decision that would be contravened or compromised by the Settlement. The issues resolved in the Settlement are within the scope of the proceeding. The Parties have entered into this Settlement voluntarily and upon review and advice by their respective legal counsels and technical staff. The Commission’s

² *In the Matter of the Application of Golden State Water Company on Behalf of its Bear Valley Electric Service Division (U913E), for Approval of RPS Contract with BioEnergy Solutions, LLC, and for Authority to Recover the Costs of the Contract in Rates*, Decision 11-06-023, p. 13.

³ *Id.*

⁴ *Order Instituting Investigation into the Operations and Practices of the Southern California Gas Company, Concerning the Accuracy of Information Supplied to the Commission in connection with its Montebello Gas Storage Facility*, Decision 00-09-034, pp. 20, 26.

approval and adoption of the Settlement will not be construed as an admission or concession by either Party regarding any fact or matter of law in dispute in this proceeding, nor as any statement of precedent or policy of any kind for any purpose against Suburban or ORA in any other current or future proceedings. Finally, the Settlement is an integrated agreement, so that if the Commission rejects any portion of the Settlement, each Party to the Settlement has the right to withdraw. The Parties therefore believe that the Settlement is consistent with the law.

3. *The Settlement Is In The Public Interest*

The Settlement will result in a reduction in Suburban's original general rate case request while still providing for reasonable estimates of many categories of Suburban's expected costs and expenses and allowing Suburban to complete much-needed capital projects. Commission approval of the Settlement will provide speedy resolution of contested issues, will save unnecessary litigation expense, and will conserve Commission resources. The Commission has acknowledged that "[t]here is a strong public policy favoring the settlement of disputes to avoid costly and protracted litigation."⁵ Therefore, the Parties believe that the Settlement is in the public interest.

B. Discussion of Issues Raised in Public Participation Hearings and Additional Information

During the July 6, 2017 evidentiary hearing in San Francisco, Commissioner Martha Guzman Aceves directed the Parties to address the concerns raised by customers at Suburban's PPHs. In addition, the ruling issued on August 2, 2017 required additional related information be included in any joint motion for adoption of a settlement, as provided below.⁶

⁵ *Re PG&E*, Decision 88-12-083, 30 CPUC 2d 189, p. 221.

⁶ Administrative Law Judges' Ruling Regarding Additional Information for Parties to Provide Prior to Evidentiary Hearings, August 2, 2017, p. 9.

1. *Accounting and Accountability for Investments in Infrastructure*

At the San Jose Hills PPH Mr. Dana Sykes raised a concern about accountability for the funds to be used for infrastructure.⁷ Paragraph 6.a of the August 2, 2017 ruling required additional information as to how Suburban will track infrastructure investments and costs, whether a memorandum account is in place with after the fact reasonableness review, and whether a memorandum account should be established for future infrastructure investments.⁸

In accordance with the Commission's Rate Case Plan, Suburban has provided substantial information concerning its infrastructure spending, which information was thoroughly reviewed by ORA. The Settlement fully reflects that Suburban is accountable for the funds to be used for infrastructure. For example, Section D of the Commission's Minimum Data Requirements requires water utilities to provide a detailed accounting by project of infrastructure amounts authorized and actually spent in the prior GRC.⁹ Suburban reported that in the years 2014-2016 it had exceeded its authorized company-funded spending by \$403,438.¹⁰ Moreover, Suburban maintains detailed workorders and accounting records on all its capital expenditures, which ORA thoroughly reviewed in this proceeding. Further, ORA devoted two days to field visits of Suburban's plant locations, following the visits with extensive data requests to Suburban regarding its infrastructure-related needs. Hundreds of pages of testimony were submitted by the Parties in connection with capital spending issues and the Parties engaged in detailed settlement

⁷ Public Participation Hearing, June 27, 2017, West Covina, California, Reporter's Transcript, pp. 78:25-79:5, 79:23-80:4.

⁸ Administrative Law Judges' Ruling Regarding Additional Information for Parties to Provide Prior to Evidentiary Hearings, August 2, 2017, p. 10.

⁹ Decision 07-05-062, Appendix A, pp. A-26-27.

¹⁰ Exhibit SWS-03, Minimum Data Requirements Vol. I, Attachment 1, p. 2.

discussions on these topics. The Settlement resolves all infrastructure spending issues but one, and fully reflects all of this information and analysis by the Parties.

In a GRC, infrastructure investments are rigorously documented and reviewed as part of standard GRC procedures; a memorandum account to track investments in infrastructure and associated costs normally are not necessary. A memorandum account also would increase costs to customers as a result of added interest during construction that must be recovered through rates. Because reasonableness review occurs routinely in the GRC, memorandum accounts are typically not needed to facilitate reasonableness review and Suburban and ORA agree that an infrastructure memorandum account is not needed in this proceeding. However, the Commission may from time to time require memorandum account treatment for certain capital projects (e.g., when there is material uncertainty about whether a particular project will be undertaken during the GRC period or about project cost, which, again, is not the case in this proceeding) provided that the four conditions for establishing a memorandum account, as set forth in Decision 02-08-054, are met.¹¹

In summary, Suburban and ORA have fulfilled their obligations to ensure that there is significant accountability regarding Suburban's infrastructure expenditures, in compliance with Commission requirements.

2. *Quantity Rate for Recycled Water In San Jose Hills Service Area*

At the San Jose Hills PPH a residential customer, Mr. Dave Stewart, raised a concern about whether the 15% discount on recycled water will be available "no matter what the price of

¹¹ The four conditions for memorandum account treatment for capital project are: 1) The expense is caused by an event of an exceptional nature that is not under the utility's control; 2) The expense cannot have been reasonably foreseen in the utility's last GRC and will occur before the utility's next scheduled rate case; 3) The expense is of substantial nature in the amount of money involved; and 4) The ratepayers will benefit by the memorandum account treatment.

the [potable] water was.”¹² Paragraph 6.b of the August 2, 2017 ruling required additional information about potential recycled water rate changes and asked if customers are to be charged a “grandfathered discount rate (15% less differential)”.¹³

Although Suburban and ORA are not certain what is meant by the phrase “grandfathered discount rate (15% less differential)”, the answer to Mr. Stewart’s question is “yes.”¹⁴ There will be no change to Suburban’s approach to pricing for recycled water under the Settlement. In its application, Suburban proposed to continue its current practice of pricing recycled water at 85% of the quantity rate for San Jose Hills Non-Residential Metered Service, as set forth in Schedule No. SJ-2.¹⁵ As ORA did not contest this proposal, the Settlement will maintain the current pricing mechanism. The issue raised by Mr. Stewart has therefore been addressed.

3. *Conservation Issues and Service Charges*

At the San Jose Hills PPH, Mr. Bancer Shen questioned the amount of Suburban’s current service charge: “Check our bills the service charge is over \$30.”¹⁶ Paragraph 6 of the August 2, 2017 ruling required related information about conservation issues and expenditures associated with fixed costs in rates under the Settlement.¹⁷

¹² Pubic Participation Hearing, June 27, 2017, West Covina, California, Reporter’s Transcript, p. 80:19-20.

¹³ Administrative Law Judges’ Ruling Regarding Additional Information for Parties to Provide Prior to Evidentiary Hearings, August 2, 2017, p. 10.

¹⁴ Recycled water service in the San Jose Hills area will continue to be limited to non-residential customers in areas where recycled water is available.

¹⁵ See Suburban’s current Recycled Water Metered Service Tariff SJ-3, *available at* <http://files.swwc.com/ca/tariff/Schedule-SJ3-Recycled-Water-Metered-Service.pdf>; Application 17-01-001, p. 5.

¹⁶ Public Participation Hearing, June 27, 2017, West Covina, California, Reporter’s Transcript, p. 90:21-22.

¹⁷ Administrative Law Judges’ Ruling Regarding Additional Information for Parties to Provide Prior to Evidentiary Hearings, August 2, 2017, p. 10.

During the San Jose Hills PPH, Mr. Shen clarified that his service charge is for a one-inch meter and that Suburban had offered to replace his meter with a smaller 3/4 inch meter. Mr. Shen thought that was not the right answer.¹⁸ Reducing Mr. Shen's meter size to the more common 3/4 inch would reduce his current monthly service charge from \$32.76 to \$19.66, but it would still be higher than the \$10 service charge Mr. Shen maintains is charged by other utilities serving Arcadia and Rosemead.¹⁹ Suburban's service charge is based on a 30/70 split between service charges and quantity charges, which is in accordance with Commission policy.²⁰ Like all water utilities the fixed cost component of Suburban's cost structure greatly exceeds 30% of total costs. The result is that Suburban shareholders are at risk for over- or under-recovering fixed costs depending on whether water use is higher or lower than adopted. The Commission has encouraged higher, not lower, than 30% cost recovery through service charges in the interest of economic efficiency: "Water utility fixed costs compromise about 70 percent of total costs. Fixed charges recover only about 30 percent of total revenue. This misalignment leads to economic inefficiencies. This proceeding will permit a gradual move towards a more balanced rate structure."²¹

¹⁸ Public Participation Hearing, June 27, 2017, West Covina, California, Reporter's Transcript, p. 91:12-13.

¹⁹ *Id.*, p. 90:19-21.

²⁰ The 30 percent/70 percent rule of recovering revenue from fixed or monthly rates vs. quantity rates was developed by the Commission in 2010, informed by the recommendations of the California Urban Water Conservation Council (now the California Water Efficiency Partnership). *In the Matter of the Application of San Gabriel Valley Water Company (U337W) for Authority to Establish a Conservation Rate Design, Including a Water Revenue Adjustment Mechanism, Modified Cost Balancing Account, and Conservation Memorandum Account in Compliance with Decision No. 08-06-022*, Decision 10-04-031, pp. 4-6, 13-14, 26-27, 53.

²¹ *Id.*, p. 55.

Thus, although Mr. Shen may not fully be satisfied with the answer, Suburban's current rates, proposed rates, and the rates that will result from this proceeding are all in full compliance with the Commission's requirements regarding rate design.

Paragraph 6.c of the August 2, 2017 ruling required "a summary of how issues concerning conservation and meeting expenditures associated with fixed costs in rates for this proposal compare with the last 2 general rate case requests and authorizations".²² Conservation programs are designed to reduce water usage, but significant portion of fixed costs as recovered through quantity charges. Because water usage has declined over the last two GRCs, fixed costs as a proportion of total costs has increased. In addition, expected revenues decline with water usage. In this GRC for test year 2018 Suburban proposed water sales of 17,224,872 ccf. In Suburban's 2014 GRC, for test year 2015 Suburban proposed 19,022,137 ccf and was authorized 19,813,647 ccf. Recorded water sales for 2015 were 17,384,863 ccf. In the 2011 GRC, for test year 2012 Suburban proposed 21,362,057 ccf and was authorized 21,197,259 ccf. Recorded water sales for 2012 were 21,406,559 ccf. In light of these trends, conservation programs have a greater impact on revenues associated with water sales than on Suburban's cost of service.

Paragraph 6.d of the August 2, 2017 ruling required a comparison of Suburban's basic service charge rate with those of other districts in the region operated both by publicly owned utilities and by investor owned utilities.²³ A chart comparing the service charge rates of fourteen utilities is provided as Attachment A.

²² Administrative Law Judges' Ruling Regarding Additional Information for Parties to Provide Prior to Evidentiary Hearings, August 2, 2017, p. 10.

²³ Id.

4. *Comparison of Rate Increases Requested and Granted*

Paragraph 7 of the August 2, 2017 ruling required the Parties to provide “a comparison of the rate increases requested by and granted to Suburban over the last two GRCs” including specific information provided in tables below.²⁴

Table 1 below represents the increase requested in revenue requirements as “allocated to infrastructure upgrades, executive, compensation, water quality, Parent Company expenses (such as IT), increase in employees, insurance, and other areas” for the past two GRCs, as required by ruling paragraph 7.a.²⁵:

Table 1: Requested Increases in Revenue Requirement

Description	Test Year 2012	Test Year 2015
Infrastructure Upgrades	\$3,404,475	\$3,295,276
Executive Compensation		\$520,811
Parent Company Expenses		\$850,261
Subtotal Amount	\$641,834 ²⁶	\$1,371,073
Water Quality	\$48,741	(\$68,317)
Payroll Expense	\$1,065,248	\$750,162
Insurance	(\$935,600)	\$1,191,098
Other Fixed Expenses	\$2,394,778	\$2,733,423

Paragraph 7.b required the Parties to “[p]rovide the amount requested in the GRC for each area (total amount and increase) and how much the Commission authorized.”²⁷ Tables 2

²⁴ Id.

²⁵ Id.

²⁶ The exact amount of executive compensation that was included in parent company expenses for the 2009 GRC cannot be determined.

²⁷ Administrative Law Judges’ Ruling Regarding Additional Information for Parties to Provide Prior to Evidentiary Hearings, August 2, 2017, p. 10.

and 3 below provide the total amounts requested by Suburban and the total amounts authorized by the Commission in the last two GRCs for each category (requested increases are provided in Table 1 above):

Table 2: Total Requested Revenue Requirement

Description	Test Year 2012	Test Year 2015
Infrastructure Upgrades	\$18,844,548	\$18,199,008
Executive Compensation	\$467,887	\$755,519
Parent Company Expenses	\$3,625,998	\$4,095,577
Subtotal Amount	\$4,093,885	\$4,851,095
Water Quality	\$637,366	\$599,636
Payroll Expense	\$8,414,520	\$8,828,816
Insurance	\$1,743,614	\$2,401,428
Other Fixed Expenses	\$14,330,366	\$15,839,968

Table 3: Total Commission Authorized Revenue Requirement

Description	Test Year 2012	Test Year 2015
Infrastructure Upgrades	\$14,855,282	\$13,363,541
Executive Compensation	\$188,103	\$706,516
Parent Company Expenses	\$1,517,572	\$3,784,654
Subtotal Amount	\$1,705,675	\$4,491,170
Water Quality	\$630,310	\$591,185
Payroll Expense	\$7,973,071	\$8,380,918
Insurance	\$1,668,970	\$2,282,789
Other Fixed Expenses	\$13,595,156	\$15,416,071

Paragraph 7.c of the August 2, 2017 ruling required the Parties to provide “how much of the Commission authorized revenue requirement was allocated to each area (total amount and

increase), as well as how much was spent in each area (total amount and increase).”²⁸

Commission authorized revenue requirements that were allocated to each area are represented in Table 3, above. Table 4 provides the increase in authorized revenue requirements that were allocated to each area. Table 5 provides total spent, including actual disbursed expenses but excluding expenses based on internal Suburban allocations such as depreciation:

Table 4: Increase or Decrease in Commission Authorized Revenue Requirement

Description	Test Year 2012	Test Year 2015
Infrastructure Upgrades	\$5,844,385	(\$1,491,741)
Executive Compensation		\$518,413
Parent Company Expenses		\$2,267,082
Subtotal Amount	(\$1,943,481) ²⁹	\$2,785,495
Water Quality	\$20,130	(\$39,125)
Payroll Expense	\$484,583	\$407,847
Insurance	(\$592,521)	\$613,819
Other Fixed Expenses	\$1,081,413	\$1,820,915

Table 5: Total Amount Spent

Description	2012	2015
Infrastructure Upgrades	\$16,030,982	\$13,370,588
Executive Compensation	\$572,064	\$958,096
Parent Company Expenses	\$7,620,724	\$5,444,416
Subtotal Amount	\$8,192,788	\$6,402,512
Water Quality	\$560,026	\$362,288
Payroll Expense	\$8,490,650	\$8,804,304
Insurance	\$1,805,203	\$2,389,893
Other Fixed Expenses ³⁰	\$5,255,979	\$4,643,430

²⁸ Id., pp. 10-11.

²⁹ The exact amount of executive compensation that was included in parent company expenses for the 2009 GRC cannot be determined.

³⁰ Expenses based on internal allocations, i.e. depreciation totaling \$5,839,069 and \$7,769,250 for 2012 and 2015, respectively, are not considered “spent” and therefore have been excluded.

IV. CONCLUSION

The Parties jointly sponsor this Motion and the accompanying Settlement as reasonable, consistent with the law, and in the public interest. For the foregoing reasons, the Parties respectfully request that the Commission approve the Settlement as expeditiously as possible.

Dated: August 15, 2017

/s/ Selina Shek

Selina Shek

Selina Shek
Tovah Trimming
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: (415) 703-2423
Telephone: (415) 703-3309
Facsimile: (415) 703-4592
Email: selina.shek@cpuc.ca.gov
tovah.trimming@cpuc.ca.gov

***Attorneys for the Office of Ratepayer
Advocates***

Respectfully submitted,

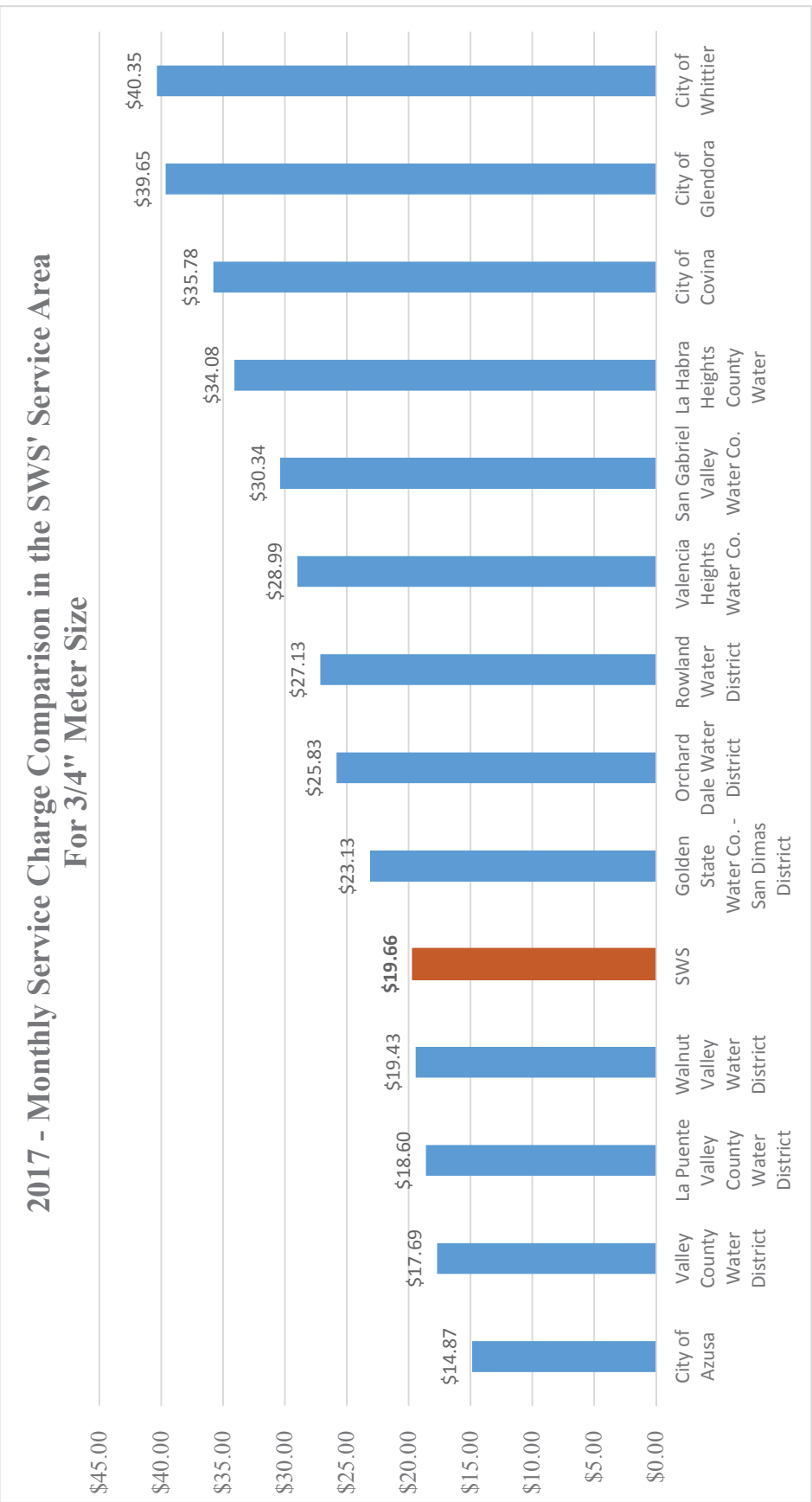
/s/ Joseph M. Karp

Joseph M. Karp

Joseph M. Karp
Louise Dyble
Winston & Strawn LLP
101 California Street, 35th Floor
San Francisco, California 94111
Telephone: (415) 591-1000
Facsimile: (415) 591-1400
Email: jkarp@winston.com
ldyble@winston.com

Attorneys for Suburban Water Systems

ATTACHMENT A



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Selina Shek
Tovah Trimming
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: (415) 703-2423
Telephone: (415) 703-3309
Facsimile: (415) 703-4592
Email: selina.shek@cpuc.ca.gov
tovah.trimming@cpuc.ca.gov

*Attorneys for the Office of Ratepayer
Advocates*

Joseph M. Karp
Louise Dyble
Winston & Strawn LLP
101 California Street, 35th Floor
San Francisco, California 94111
Telephone: (415) 591-1000
Facsimile: (415) 591-1400
Email: jkarp@winston.com
ldyble@winston.com

Attorneys for Suburban Water Systems

August 15, 2017

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**SETTLEMENT AGREEMENT BETWEEN SUBURBAN WATER SYSTEMS
AND THE OFFICE OF RATEPAYER ADVOCATES****I. GENERAL PROVISIONS**

Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Office of Ratepayer Advocates (“ORA”) and Suburban Water Systems (“Suburban”), (collectively, “the Parties”), have agreed on the terms of this settlement agreement (the “Settlement Agreement”) which they now submit for approval. This Settlement Agreement addresses most of the disputed issues between Suburban and ORA and, by extension, related derivative issues.

After conducting discovery, negotiating in person, and analyzing their respective interests, the Parties have determined that this Settlement Agreement is in their best interests, in the public interest, and more cost-effective for all concerned than undertaking the expense, delay, and uncertainty of further litigation. Because this Settlement Agreement represents a compromise by them, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding. The

Parties have reached this Settlement Agreement after taking into account the possibility that each Party may or may not prevail in litigation on any given issue.

Pursuant to Rule 12.5 of the Commission's Rules of Practice and Procedure, approval of this Settlement Agreement by the Commission may not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding. The Parties agreed to maintain the confidentiality of all settlement negotiations and communications made during the course of settlement discussions in this matter, and agreed that such communications remain subject to Rule 12.6 of the Commission's Rules of Practice and Procedure.

The Parties agreed that no signatory to the Settlement Agreement assumes any personal liability as a result of their agreement. All rights and remedies of the Parties are limited to those available before the Commission. Furthermore, the Settlement Agreement is being presented as an integrated package such that the Parties are agreeing to the Settlement Agreement as a whole, as opposed to agreeing to specific elements of the Settlement Agreement. If the Commission adopts the Settlement Agreement with modifications, all the Parties must consent to the modifications or the Settlement Agreement is void. As between the Parties, this Settlement Agreement may be amended or changed only by a written agreement signed by the Parties.

Included in this Settlement Agreement are references to Suburban's application and to testimony and supporting materials submitted as exhibits by Suburban and by ORA in this proceeding. A list of exhibits is included as Appendix A.

The following sections II through XII reflect the Parties' agreement on issues that were initially contested by ORA. In addition to these issues, the Parties agreed that Suburban's initial proposals should be adopted on the issues that were not contested by ORA. A summary of earnings is included as Appendix B. The contested issues that remain unresolved are: 1) whether

Suburban should be allowed to include in rate base roughly \$5.4 million of Information Technology capital projects undertaken by its parent company; 2) the forecast of regulatory expenses for Suburban’s next General Rate Case (“GRC”) proceeding; 3) the federal income tax rate that should apply in this proceeding; and 4) the requirements for confidentiality applicable to future Suburban GRC proceedings. These issues will be briefed by the Parties for resolution by the Commission.

II. WATER CONSUMPTION AND OPERATING REVENUES

A. Residential Water Sales Per Customer

Service Area	Suburban	ORA	Settlement
San Jose Hills	162.9 ccf	185.62 ccf	175.00 ccf
Whittier/La Mirada	160.8 ccf	195.20 ccf	171.00 ccf

Suburban used the average of two forecasts to estimate future water sales, a minor modification from the “New Committee Method” described in Commission Decision 07-05-062. The first forecast used data from 2008 through 2015 in an eight-year multiple regression analysis. The second used data from 2008 through 2014 (seven years).

ORA forecasted water usage by using the percentage increase in consumption that followed a historical drought in California that ended in 1991, arguing that there was a predictable “rebound effect” that was represented in the water consumption rates of the next several years. ORA applied the rates of increase in 1991, 1992, and 1993 in each of Suburban’s two districts to recorded 2015 use to predict the increase in residential during the three years of this GRC cycle.

For purposes of settlement, the Parties compromised on the figures set forth above.

REFERENCES: Exh. SWS-01, pp. 4-1, 4-2, Table 4-1; Exh. ORA-02, pp. 15-23; Exh. SWS-20; Exh. SWS-21.

B. Business Water Sales Per Customer

Service Area	Suburban	ORA	Settlement
San Jose Hills	1,044.2 ccf	1,190.81 ccf	1,190.81 ccf
Whittier/LaMirada	829.0 ccf	1,084.50 ccf	1,084.50 ccf

Suburban used the same methodology to forecast business water sales per customer as it used for residential water sales. For business water sales, ORA used a five year average, adjusting for six large customers that are expected to switch from potable to recycled water in the Whittier/La Mirada District. For settlement purposes, Suburban accepted ORA's forecast.

REFERENCES: Exh. SWS-01, pp. 4-1, 4-2, Table 4-1; Exh. ORA-02, pp. 24-25; Exh. SWS-20; Exh. SWS-21.

C. Recycled Water Use Per Customer, Whittier/La Mirada

Suburban	ORA	Settlement
20,088.00 ccf	13,046.00 ccf	13,046.00 ccf

Beginning in 2018, Suburban will sell recycled water in the Whittier/La Mirada service area. Suburban projected recycled water sales per customer in this category, and calculated its estimate using the average of the last five recorded years. ORA estimated a lower number for the Whittier/La Mirada Service Area because ORA made a small adjustment for business class customers switching to recycled water class service. For purposes of settlement, Suburban accepted ORA's estimate.¹

REFERENCES: Exh. SWS-01, pp. 4-2, 4-3, 5-3, 5-4, Table 4-7L; Exh. ORA-02, pp. 25, 28, Table 2-2b; Exh. SWS-20; Exh. SWS-21.

¹ The values shown in Section II.A and II.B above for Whittier/La Mirada reflect this settled forecast for recycled water use.

III. ESCALATION

A yearly rate of inflation is used to bring forward historical costs to forecast future years. Suburban used Commission-adopted escalation factors from June 2016. ORA proposed using the escalation factor as of April 2017. For purposes of settlement, Suburban accepted ORA's position. All expense items in this settlement, where applicable, have been updated with April 2017 escalation factors. Differences between Suburban's original estimates that have been adopted for purposes of settlement and listed settlement amounts in tables below are due to the application of the April 2017 escalation factors.

REFERENCES: Exh. ORA-02, p. 66; Exh. SWS-15, pp. 2-3.

IV. OPERATIONS AND MAINTENANCE EXPENSES

A. Source of Supply Expenses

1. Purchased Water (Account #704)

Suburban	ORA	Settlement
\$17,167,674	\$24,245,802	\$20,948,945

Suburban based its recommendation for purchased water supply expenses on its estimate of projected water demand. ORA based its recommendation on higher projected water demand. For purposes of settlement, Suburban and ORA agreed on purchased water expenses based on compromised levels of projected water demand. Cooperating Respondent ("CR") reimbursements (Volume Related Contra Account #704 SC 591) have been recalculated to reflect the compromised level of projected water demand.

REFERENCES: Exh. SWS-03, p. 34, Worksheet 5-1E; Exh. ORA-02, p. 36.

B. Pumping Expenses

1. Purchased Power (Account #726)

Suburban	ORA	Settlement
\$2,177,605	\$2,300,335	\$2,246,038

Suburban based its recommendation for purchased power expenses on its estimate of projected water demand. ORA based its recommendation on higher projected water demand. For purposes of settlement, Suburban and ORA agreed on purchased power expenses based on compromised levels of projected water demand.

REFERENCES: Exh. SWS-01, p. 5-4; Exh. SWS-03, p. 35, Worksheet 5-1F; Exh. ORA-02, pp. 36-37.

2. Maintenance of Pumping Equipment - Electric Motor (Account #732 SC 161)

Suburban	ORA	Settlement
\$52,896	\$49,222	\$48,840

Both ORA and Suburban estimated costs for the maintenance of pumping equipment based on the five-year historical average, except that for sub-account 161, maintenance of electric motors, Suburban's estimate was based on the recorded 2015 amount. ORA used the five-year historical average for all accounts. For purposes of settlement, Suburban accepted ORA's estimate as reasonable.

REFERENCES: Exh. SWS-03, p. 35, Worksheet 5-1F; Exh. ORA-02, p. 37; SWS-15, pp. 3-4.

C. Water Treatment Expenses

1. Laboratory Services (Account #742 SC 171)

Suburban	ORA	Settlement
\$170,822	\$131,097	\$150,960

Suburban forecasted the cost of laboratory services based on the actual 2015 recorded expenses escalated to account for inflation. ORA forecasted the cost of laboratory services based on a five-year average recorded amount adjusted for inflation. For purposes of settlement, the Parties agreed to split the difference between their initial positions.

REFERENCES: Exh. SWS-01, p. 5-2; Exh. SWS-03, p. 36, Worksheet 5-1G; Exh. ORA-02, p. 38; Exh. SWS-15, pp. 3-5.

D. Storage Facilities Expenses

1. Gardening Services (Account #752 SC 123)

Suburban	ORA	Settlement
\$164,800	\$94,175	\$149,470

Suburban's forecast for gardening services was based on the average of the most recent two-year recorded expense escalated to account for inflation, plus an additional amount for proactive maintenance and reactive landscaping, including tree trimming and removal to address fire hazards. ORA recommended a five-year historical average adjusted for inflation. For purposes of settlement, the Parties agreed to Suburban's proposal with a reduction of \$15,330 in the reactive landscaping budget.

REFERENCES: Exh. SWS-01, p. 5-2; Exh. SWS-03, p. 37, Worksheet 5-1H; Exh. ORA-02, p. 39; Exh. SWS-15, pp. 5-7.

E. Customer Account Expenses

1. Customer Service Other (Account #773 SC 242)

Suburban	ORA	Settlement
\$17,760	\$4,345	\$4,198

Suburban's estimate for the Customer Service Other account, which tracks costs related to collection agency services and customers' credit and background verifications, was based on

the five-year historical average adjusted for inflation. ORA's estimate was based on the 2015 amount escalated for inflation. For purposes of settlement, Suburban accepted ORA's proposal.

REFERENCES: Exh. SWS-03, p. 39, Worksheet 5-1J; Exh. ORA-02, p. 40; Exh. SWS-15, pp. 7-8.

2. Uncollectible Rate

Suburban	ORA	Settlement
0.22%	0.15%	0.15%

Suburban used the historical five-year average to forecast the uncollectible rate. ORA used the 2015 uncollectible rate of 0.15% on the basis that, due to low unemployment rates in recent years, the most recent recorded rate was more likely to predict actual uncollectible rates in the future. For purposes of settlement, Suburban accepted ORA's proposal as reasonable.

REFERENCES: Exh. SWS-03, p. 39, Worksheet 5-1J; Exh. ORA-02, pp. 41-43; Exh. SWS-15, p. 8.

F. Water Conservation (Account #783 SC 212)

Average Annual Conservation Budget for 2018-2020

Suburban	ORA	Settlement
\$900,000	\$125,000	\$350,000

Detailed Settlement Conservation Budget

	Suburban	ORA	Settlement
Conservation Program: Residential Landscape Surveys	\$144,150		
Conservation Program: Residential Smart Controller Installations			
	\$655,850	\$50,000	\$250,000
Public Outreach and Education, Educational Materials, and Conservation Devices	\$75,000	\$50,000	\$75,000

School theater program	\$25,000	\$25,000	\$25,000
Total	\$900,000	\$125,000	\$350,000

Suburban proposed conservation programs including residential landscape surveys, residential smart controller installations, public outreach and information, and a school theater program sponsorship. Each of these programs is part of the best management practices for water conservation as recommended by California Urban Water Conservation Council. ORA recommended a reduced landscape survey and smart controller installation pilot program and also a smaller budget for public outreach and educational materials.

For purposes of settlement, the Parties agreed to a total conservation budget of \$350,000 per year for a total of \$1,050,000 for the period 2018 – 2020.² Suburban will track all expenses associated with the conservation program, including rebates received for the three years of this GRC cycle (2018 – 2020) in a Conservation Expenses One-Way Balancing Account (“CEOWBA”) with an effective date of January 1, 2018. The purpose of the CEOWBA is to track over the 3-year rate case cycle (2018 – 2020) the actual conservation expenses plus rebates related spending (not to exceed rebates) versus authorized conservation expenditures up to the limit of \$1,050,000 (plus related rebates) so that any unspent funds collected through rates can be returned to ratepayers. For purposes of settlement, the Parties agreed to the following preliminary statement on the CEOWBA:

PRELIMINARY STATEMENT

Conservation Expenses One-Way Balancing Account (CEOWBA)

1. PURPOSE

The purpose of the Conservation Expenses One-Way Balancing Account (CEOWBA) is to track the actual versus authorized conservation expenditures, plus rebates received over the 3-year general rate case cycle, so that any unspent funds collected through rates can be

² The settlement amount is fixed and not subjected to escalation during 2018-2020.

returned to ratepayers.

2. ACCOUNTING PROCEDURE

Suburban shall make the following entries each month to the CEOWBA:

- a. Actual monthly conservation expenses (debits for expenditures). Suburban shall provide supporting documents associated with all expenses over the 3-year general rate case cycle.
- b. Rebates received from the Metropolitan Water District of Southern California and other sources (credit) over the 3-year general rate case cycle.
- c. The CEOWBA will accrue interest on a monthly basis by applying a rate equal to one-twelfth of the 3-month Non-Financial Commercial Paper, published in the Federal Reserve Statistical Release H.15 or its successor publication (debit or credit) to the average of the beginning-of-month and the end-of-month balances.

Refund:

If the actual conservation expenses plus rebates received at the end of the 3-year general rate case cycle do not equal or exceed the authorized conservation expenses, Suburban shall refund the balance to the ratepayers. If at the end of 3-year general rate case cycle the actual conservation expenses exceed the authorized conservation expenses plus rebates, then the balance shall not be collected from the ratepayers.

3. DISPOSITION

Suburban shall file a Tier 2 advice letter with the Water Division to dispose of any refunds (unspent amount) recorded in the CEOWBA.

Authorization: Established pursuant to D.xx-xx-xxx, Ordering Paragraph x, Settlement Agreement, Section xx.

For purposes of settlement, Suburban has agreed that the annual budget of \$250,000 for the landscape survey and retrofit pilot program should not be spent on any other program.

Suburban also agreed to provide a program evaluation of the residential landscape survey pilot program in its next GRC filing, including detailed information on water savings, program cost, and customer participation rates. The evaluation will include a cost-benefit analysis of the pilot program.

REFERENCES: Exh. SWS-03, p. 40, Worksheet 5-1K; Exh. ORA-02, pp. 204-216; Exh. SWS-32, pp. 2-9; Exh. SWS-33, pp. 1-4; Exh. SWS-15, p. 8.

V. ADMINISTRATIVE AND GENERAL EXPENSES

A. Office Supplies and Other Expenses

1. Safety Supplies (Account #792 SC 132)

Suburban	ORA	Settlement
\$76,252	\$63,085	\$75,662

Suburban's forecast for office safety supplies was based on the 2015 amount adjusted for inflation. ORA recommended using the five-year average adjusted for inflation. For purposes of settlement, ORA accepted Suburban's proposal.

REFERENCES: Exh. SWS-03, p. 40, Worksheet 5-1K; Exh. ORA-02, p. 44; Exh. SWS-15, p. 9.

2. Computer Cost Miscellaneous (Account #792 SC 332)

Suburban	ORA	Settlement
\$281,365	\$42,301	\$121,582

This account covers costs associated with computer purchases, including amounts to purchase an information technology ("IT") support program and to implement a Credit/Debit Card Program for customer payments that was authorized as a 10-month pilot program in Decision 14-02-038. The Commission also required Suburban to establish a Credit/Debit Card Program Memorandum Account ("CCPMA") to track the costs and savings associated with the pilot program.

For purposes of settlement, the Parties agreed that Suburban may include in 2018 rates 50% of the proposed Credit/Debit Card Program cost of \$239,064, less the CCPMA recorded over-collection of \$39,908 in 2018. The Parties also agreed that the CCPMA will be closed and the Credit/Debit Card Program will become permanent, effective January 1, 2018. Suburban will file a Tier 1 advice letter to update Rule 9 Section B.2 as follows:

2. Credit Card Option Payment:

~~At the mutual option of the~~ The Residential Customer and Suburban Water Systems (“Suburban”), ~~the Customer~~ may elect credit card payment options:

- a. Through a provided pay-by-phone service, or through the Suburban’s credit card payment portal located at www.swwc.com/paymybill.
- b. Each of these options will include on-demand payments. Recurring credit card payment enrollment is only available via the SWWC credit card payment web portal. If a customer enrolls in the recurring credit card payment program online, all further paper bills will be marked “DO NOT PAY”.
- c. ~~Either party~~ The Customer may discontinue credit card payment upon 30 days prescribed notice.
- d. ~~This program will either continue indefinitely, continue as modified by Suburban or Commission decision, or be terminated by Suburban or the Commission decision rendered at the conclusion of the pilot program.~~

REFERENCES: Exh. SWS-36, p. 180; Exh. SWS-07, p. 4; Exh. ORA-02, pp. 45-49; Exh. SWS-15, pp. 9-10.

B. Injuries and Damages

1. Workers Compensation Claim and Insurance (Account #794 SC 424)

Suburban	ORA	Settlement
\$216,265	\$71,057	\$224,066

Suburban used the 2015 recorded amount escalated to estimate Workers Compensation Claim and Insurance costs. ORA used the five-year historical average adjusted for inflation. For purposes of settlement, the Parties agreed to Suburban’s proposed amount, which is the allocated amount from the parent company that ORA found to be reasonable.

REFERENCES: Exh. SWS-03, p. 41, Worksheet 5-1L; Exh. SWS-10, pp. 58-60; Exh. ORA-02, p. 50; Exh. SWS-15, p. 10.

2. Premises Pollution Insurance (Account #794 SC 609)

Suburban	ORA	Settlement
\$85,057	\$72,710	\$88,124

Suburban used the 2015 recorded amount escalated to estimate Premises Pollution Insurance. ORA used the five-year historical average adjusted for inflation. For purposes of

settlement, ORA agreed to Suburban's proposed amount, which is the allocated amount from the parent company that ORA found to be reasonable.

REFERENCES: Exh. SWS-03, p. 41, Worksheet 5-1L; Exh. SWS-10, pp. 69-72; Exh. ORA-02, p. 50.

3. General Liability Insurance (Account #794 SC 613)

Suburban	ORA	Settlement
\$223,372	\$191,880	\$231,429

Suburban used the 2015 recorded amount escalated to estimate General Liability Insurance Costs. ORA used the five-year historical average adjusted for inflation. For purposes of settlement, ORA agreed to Suburban's proposed amount, which is the allocated amount from the parent company that ORA found to be reasonable.

REFERENCES: Exh. SWS-03, p. 41, Worksheet 5-1L; Exh. SWS-10, pp. 62-67; Exh. ORA-02, p. 50.

C. Employee Pension and Benefits

1. Training and Seminars (Account #795 SC 320)

Suburban	ORA	Settlement
\$99,248	\$60,659	\$78,728

Suburban's original request for training and seminars included training costs for existing and proposed new positions. ORA's recommendation reduced the new position training amount to conform with its recommendations for hiring. For purposes of settlement, Suburban withdrew its 2017 Engineering Department training cost of \$19,335, and ORA accepted 2017 training costs for the Mechanical Department of \$34,260 as reasonable and training costs of \$1,000 for the Human Resources Department as reasonable.

REFERENCES: Exh. SWS-03, p. 41, Worksheet 5-1L; Exh. ORA-02, pp. 50-51; Exh. SWS-15, pp. 10-11.

2. Employee Welfare (Account #795 SC 416)

Suburban	ORA	Settlement
\$210,244	\$161,460	\$160,266

Suburban proposed \$210,244 for employee welfare based on the recorded 2015 amount, adjusted for inflation. Based on its view that historical expenditures in this sub-account have fluctuated from year to year, ORA recommended the five-year (2011-2015) average adjusted for inflation. For purposes of settlement, Suburban accepted ORA's proposal.

REFERENCES: Exh. SWS-01, p. 5-3; Exh. SWS-03, p. 41, Worksheet 5-1L; Exh. ORA-02, pp. 51-52; Exh. SWS-15, p. 12.

3. Employee Education (Account #795 SC 420)

Suburban	ORA	Settlement
\$99,639	\$34,157	\$33,879

Suburban proposed \$99,649 for employee education based on the recorded 2015 amount, adjusted for inflation. ORA recommended the five-year (2011-2015) average adjusted for inflation. For purposes of settlement, Suburban accepted ORA's proposal.

REFERENCES: Exh. SWS-01, p. 5-3; Exh. SWS-03, p. 41, Worksheet 5-1L; Exh. ORA-02, p. 52; Exh. SWS-15, p. 12.

4. Medical and Dental Insurance (Account #795 SC 412-413)

Medical & Dental Insurance Net of Employee Contribution

Suburban	ORA	Settlement
\$1,852,948	\$1,698,771	\$1,743,027

Medical Insurance Escalation Factor Beyond Test Year 2018 (2019 – 2020)

Suburban	ORA	Settlement
4%	1%	4%

The differences between the Parties' initial estimates of medical and dental insurance were due to differences in payroll and escalation rate for medical insurance. ORA estimated the cost of medical insurance based on 1% CPI-U escalation beyond test year 2018. Suburban estimated a 4% rate based on historical renewal costs and a Kaiser Foundation Survey. For purposes of settlement, ORA agreed to adopt Suburban's proposed escalation rate of 4% beyond test year 2018.

The settled amount for medical and dental insurance reflects the payroll adopted by the Parties as well as the settled medical insurance escalation rate.

REFERENCES: Exh. SWS-03, p. 41, Worksheet 5-1L; SWS-10, pp. 48-54; Exh. ORA-02, pp.51-52; Exh. ORA-04, pp. 49-50, 52; Exh. SWS-10, pp. 44-54; Exh. SWS-11 pp. 2-7; Exh. SWS-15, pp. 11-12.

D. Outside Services Employed

1. Legal Fees (Account #798 SC 310)

Suburban	ORA	Settlement
\$163,987	\$0	\$65,088

Suburban requested costs for legal services related to corporate governance, litigation, general legal affairs, and transactional, employment and real estate law, based on its 2015 recorded costs adjusted for inflation. ORA objected to this request because of concerns about adequate documentation of costs. For settlement purposes, the Parties agreed that Suburban should recover 40% of requested legal services fees. Suburban agreed to track legal invoices in the next GRC.

REFERENCES: Exh. SWS-03, p. 42, Worksheet 5-1M; SWS-09, p. 12; Exh. ORA-04, pp. 60-63; Exh. ORA-01-C, p. 59; ORA-03-C, pp. 60-63; SWS-24, pp. 12-13; Exh. SWS-15, pp. 13-14.

2. Other Professional Services (Account #798 SC 324)

Suburban	ORA	Settlement
\$186,368	\$46,482	\$46,122

This sub-account tracks professional services expenses, including preparation of the Urban Water Management Plan (“UWMP”), account services, and technical consultation. Suburban estimated expenses based on the historical five-year average adjusted for inflation. ORA recommended adopting the most recent recorded amount adjusted for inflation based on its view that there has been a declining trend in this account. For purposes of settlement, Suburban accepted ORA’s position.

REFERENCES: Exh. SWS-03, p. 42, Worksheet 5-1M; Exh. ORA-02, pp. 60-61; Exh. SWS-15, p. 14.

E. Professional Dues - Company (Account 799 SC 330)

Suburban	ORA	Settlement
\$124,089	\$98,444	\$113,032

Suburban’s estimate for this account included membership dues and fees for several local business associations, the state-wide California Water Association (“CWA”), and the National Association of Water Companies (“NAWC”). ORA recommended reductions in the number of memberships and in the amount of membership costs to be recovered for the remaining memberships. For purposes of settlement, Suburban accepted ORA’s proposal to exclude the cost of membership in the San Gabriel Valley Economic Partnership and the Glendora Chamber of Commerce. Suburban also accepted a reduction in the recorded amount of NAWC dues. For purposes of settlement, ORA accepted Suburban’s proposed CWA dues expense, which reflects

38% of the CWA dues for ratemaking purposes as specified in the June 24, 1994 Memorandum of Understanding between CWA and ORA.

REFERENCES: Exh. SWS-03, p. 42, Worksheet 5-1M; Exh. ORA-02, pp. 61-63; Exh. SWS-15, pp. 14-16.

VI. PAYROLL

Total Payroll with Additional Employees

	Suburban	ORA	Settlement
Regular Payroll	\$9,754,726	\$7,489,061	\$8,707,427
Overtime	\$363,173	\$148,774	\$198,832
Incentive Compensation	\$429,208	\$284,584	\$381,480
Standby	\$154,125	\$118,327	\$137,577
No Meal Penalty	\$1,599	\$1,228	\$1,427
Capitalized Payroll	(\$731,003)	(\$549,267)	(\$643,847)
Total Payroll Expense	\$9,971,826	\$7,492,707	\$8,782,898³

A. Forecasting Methodology and Data

Suburban estimated regular payroll costs using a forecasted hourly rate for each position in 2016 multiplied by 2,080 hours to arrive at a yearly adjusted position cost. ORA recommended using the 2016 recorded payroll data adjusted for inflation, recognizing that the Suburban recorded 2016 payroll data had not been finalized.

For purposes of settlement, the Parties agreed to escalate recorded 2015 regular payroll costs with labor escalation factors. The Parties also agreed that Suburban will provide 2019 payroll data by February 28, 2020 in its next GRC.

³ This amount includes settled amount discussed in Sections B, C, and D.

REFERENCES: Application 5-1; Exh. ORA-01-C, pp. 66-74; Exh. SWS-24, pp. 2-4; Exh. SWS-14-C, pp. 19-24.

B. New Positions

Additional Employees

Suburban	ORA	Settlement
\$636,800	\$50,200	\$150,600

Suburban proposed adding eleven new positions and one position that has already been filled, which would increase its annual payroll costs by \$636,800. The positions Suburban proposed included one Accountant II position, two Mechanic I positions, one Associate Engineer, one Designer I position, one Engineering Technician – Inspector II position, four Utility Worker I positions, one Billing Center Clerk, and one Human Resources Business Partner (which Suburban had already filled). ORA objected to adding these new employees other than one Mechanic I position.

For purposes of settlement, the Parties agreed to two Utility Worker I positions, one Mechanic I position and the Human Resources Business Partner.

REFERENCES: Exh. SWS-01, pp. 3-1 through 3-4; Exh. SWS-03, p. 30, Worksheet 5-1A; Exh. ORA-01-C, p. 77-85; SWS-15, pp. 23-24; Exh. SWS-08, pp. 10-25; Exh. SWS-27 pp. 71-74; Exh. SWS-31, pp. 2-4.

C. Overtime

Suburban	ORA	Settlement
\$363,173	\$148,774	\$198,832

Suburban forecasted overtime costs by calculating the percentage of regular payroll represented by overtime expense in 2015, applying that to projected regular payroll, and

adjusting for anticipated leak repairs. ORA used Suburban's overtime calculation percentage applied to ORA's proposed regular payroll projection, subtracting the amount forecasted associated with the new Mechanic I hire that ORA supported.

For purposes of settlement, the Parties agreed to reduce Suburban's overtime forecast by \$50,200 and to withdraw \$84,188 overtime related to cost of repairing breaks.

REFERENCES: Exh. SWS-01, pp. 5-6 through 5-7; Exh. SWS-03, p. 30, Worksheet 5-1A; Exh. ORA-01-C, p. 74-76; Exh. SWS-15, pp. 20-23.

D. Incentive Compensation

Suburban	ORA	Settlement
\$429,208	\$284,584	\$381,480

Suburban forecasted \$429,208 incentive compensation for test year 2018 using the 2016 incentive compensation expense as a percentage of 2016 estimated subtotal regular payroll. ORA recommended \$284,584 after reduction of a selected individual's incentive compensation. For purposes of settlement, the Parties compromised on \$381,480.

REFERENCES: Exh. SWS-03, p. 30, Worksheet 5-1A; Exh. ORA-01-C, p. 76-77; Exh. SWS-14-C, pp. 22-23.

VII. INCOME TAXES AND TAXES OTHER THAN INCOME

A. Ad Valorem Tax Percentage

Suburban	ORA	Settlement
0.91%	0.86%	0.885%

Suburban forecasted the ad valorem tax expense by dividing the recorded 2015 amount by the dollar amount of taxable plant. ORA recommended adopting a five-year recorded average

ad valorem expense ratio. For purposes of settlement, the Parties agreed to split the difference between their initial positions.

REFERENCES: Exh. SWS-03, pp. 102, Table 9-2; Exh. ORA-02, pp. 177-178; Exh. SWS-15, pp. 24-25.

B. 2018 CCFT Expense Deduction from FIT

Suburban	ORA	Settlement
\$631,728	\$1,333,856	\$1,333,856

Suburban calculated its California Corporate Franchise Tax (“CCFT”) expense deduction from FIT using the 2017 estimated CCFT to calculate the deduction used to reduce Suburban’s 2018 gross federal taxable amount. ORA argued that the CCFT should be based on the CCFT expense adopted in 2017 rates approved by the Commission in Suburban’s 2017 attrition filing.

For purposes of settlement, Suburban accepted a CCFT expense deduction from FIT based on Suburban’s advice letter 318-W filing for Attrition Year 2017 adopted increase, as ORA recommended.

REFERENCES: Exh. SWS-01, pp. 9-2 through 9-4; Exh. SWS-03, p. 104, Table 9-4; Exh. ORA-02, pp. 192-199; Exh. SWS-24, pp. 8-9.

C. IRC Section 199 – Domestic Production Activities Deduction (“DPAD”)

Suburban	ORA	Settlement
\$0	(\$450,492)	(\$618,000)

One component of calculating the gross federal taxable income amount is the Domestic Production Activities Deduction (“DPAD”). The American Jobs Creation Act of 2004 allows a reduction in the gross federal taxable income amount to encourage domestic production and production-related activities. Suburban did not include this deduction as part of its costs of service to reduce test year 2018 federal taxable income. Suburban argued that DPAD should not

be included in the calculation of federal income tax if Suburban's parent company continued to experience tax losses. ORA proposed that the DPAD be calculated based on 9% of Suburban's Qualified Production Activities Income, consistent with Section 199 of the Internal Revenue Code and past Commission practice.

For purposes of settlement, Suburban accepted ORA's recommendation to impute ORA's DPAD methodology in calculating gross federal taxable income amounts for test year 2018, and attrition year 2019.

REFERENCES: Exh. SWS-01, p. 9-2; Exh. ORA-02, pp. 199-202.

VIII. COMPANY FUNDED CAPITAL EXPENDITURES

Year	Suburban	ORA	Settlement
2017	\$15,049,865	\$15,108,355	\$15,049,865
2018	\$33,114,994	\$15,406,215	\$22,311,873
2019	\$34,056,890	\$13,125,129	\$24,667,407
Total	\$82,221,749	\$43,639,699	\$62,029,145

Suburban requested capital additions driven largely by a 1% annual pipeline replacement rate. ORA recommended reductions in Suburban's request primarily associated with replacement of asbestos pipe. Based on its review of ORA's testimony, Suburban agreed in its rebuttal to remove the Central Basin Well Project, which represented a \$1.25 million in 2018 and a \$1.18 million reduction in 2019.

For settlement purposes, the Parties agreed to a three-year (2017-2019) capital budget of \$62,029,145. Specifically, the Parties agreed to an overall 30% reduction in the revised capital budget for 2018 and an overall 25% reduction in the revised capital budget for 2019 as reasonable. These reductions are reflected in the summary tables below.

Company Funded Capital Expenditures

Test Year 2018	Suburban	ORA	Settlement
Annual Projects	\$ 8,968,000	\$ 5,893,732	\$ 7,828,879
Planned Projects	\$ 9,960,994	\$ 6,524,296	\$ 9,510,994
Pipeline Projects	\$14,186,000	\$ 2,988,187	\$ 4,972,000
Total 2018 Company Funded Capital Expenditures	\$33,114,994	\$15,406,215	\$22,311,873

Attrition Year 2019	Suburban	ORA	Settlement
Annual Projects	\$ 8,637,931	\$ 5,749,978	\$ 7,590,448
Planned Projects	\$ 9,325,959	\$ 4,909,794	\$ 7,345,959
Pipeline Projects	\$16,093,000	\$ 2,465,357	\$ 9,731,000
Total 2019 Company Funded Capital Expenditures	\$34,056,890	\$13,125,129	\$24,667,407

A. Annual and Direct Purchase Projects

1. Meter Purchase and Installation

Meter Purchase

Year	Suburban	ORA	Settlement
2017	\$ 274,000	\$616,023	\$ 274,000
2018	\$1,552,000	\$633,714	\$1,552,000
2019	\$1,538,000	\$647,203	\$1,538,000

Meter Installation

Year	Suburban	ORA	Settlement
2017	\$146,000	\$146,000	\$146,000
2018	\$407,000	\$149,212	\$407,000
2019	\$407,000	\$153,092	\$407,000

Starting in 2018, Suburban proposed replacing its meters with advanced meters on a schedule that would change out all meters in 15 years. ORA proposed using the recorded 2016 amounts for meters and escalating figures using non-labor factors to determine annual capital

amounts. For purposes of settlement, the Parties agreed to Suburban's proposed roll out of advanced meters.

REFERENCES: Exh. SWS-03, p. 71, Worksheet 6-1C; Exh. ORA-02, pp. 127-133; Exh. SWS-27, pp. 33-40.

2. Vehicle Replacements

Year	Suburban	ORA	Settlement
2017	\$0	\$132,440	\$0
2018	\$1,537,000	\$ 95,439	\$397,879
2019	\$1,172,000	\$110,517	\$124,517

Suburban proposed a vehicle replacement budget based on the vehicle replacement schedule approved in Suburban's last rate case. ORA proposed a vehicle replacement budget based on California Department of General Services ("DGS") guidelines, and eliminated a number of vehicles based on its recommendations for fewer new positions that require vehicles. For purposes of settlement, Suburban agreed to fewer vehicle additions based on its agreement to fewer new positions requiring vehicles, and also agreed to comply with the DGS guidelines.

REFERENCES: Exh. SWS-03, p. 71, Worksheet 6-1C; Exh. ORA-02, pp. 135-138; Exh. SWS-27, pp. 42-45.

3. Hydrants

Year	Suburban	ORA	Settlement
2017	\$548,000	\$440,774	\$548,000
2018	\$630,000	\$451,352	\$630,000
2019	\$711,000	\$463,990	\$711,000

Suburban used linear regression analysis to estimate its hydrant costs. ORA recommended adopting 2016 costs escalated. For purposes of settlement, ORA accepted Suburban's estimates.

REFERENCES: Exh. SWS-03, p. 71, Worksheet 6-1C; Exh. ORA-02, pp. 138-139; Exh. SWS-27, pp. 45-46.

4. Pump Replacements at Various Locations

Year	Suburban	ORA	Settlement
2017	\$201,000	\$201,000	\$201,000
2018	\$426,000	\$207,231	\$426,000
2019	\$595,000	\$213,448	\$595,000

Suburban requested a five-year historical average for pump replacement. ORA escalated the 2017 forecast escalated with non-labor factors for 2018 and 2019. For purposes of settlement, ORA accepted Suburban's estimates.

REFERENCES: Exh. SWS-03, p. 71, Worksheet 6-1C; Exh. ORA-02, pp. 139-40; Exh. SWS-27, pp. 47-48.

5. Plant Improvements at Various Locations

Year	Suburban	ORA	Settlement
2017	\$257,000	\$192,024	\$257,000
2018	\$257,000	\$197,784	\$257,000
2019	\$257,000	\$203,797	\$257,000

Suburban's proposed budget for plant improvements at various locations, including costs in addition to the annual improvement forecasts related to paving and security of plants and facilities, was estimated using the five-year average escalated. ORA proposed using 2016 recorded amounts escalated by non-labor factors. For purposes of settlement, ORA accepted Suburban's estimates as reasonable.

REFERENCES: Exh. SWS-03, p. 71, Worksheet 6-1C; Exh. ORA-02, pp. 140-142; Exh. SWS-27, pp. 48-49.

B. Pipeline Projects

Year	Suburban	ORA	Settlement
2017	\$ 5,358,000	\$5,114,229	\$5,358,000
2018	\$14,186,000	\$2,988,187	\$4,972,000
2019	\$16,093,000	\$2,465,357	\$9,731,000

Suburban proposed pipeline projects to systematically replace aging pipelines at a rate of 1% per year or 8.5 miles per year. ORA recommended replacing an average of 0.19% of pipelines per year. For purposes of settlement, the Parties agreed to compromise on the pipeline replacement program as listed in the following tables, equivalent to a 0.46% replacement rate per year for test years 2018 and 2019.

REFERENCES: Application, p. 7-8; Exh. SWS-03, p. 71, Worksheet 6-1C; Exh. SWS-45-C; Exh. ORA-02, pp. 149-154; Exh. SWS-27, pp. 49-71.

SUBURBAN WATER SYSTEMS GRC, A.17-01-001
TOTAL COMPANY CAPITAL EXPENDITURES, DOLLARS
SETTLEMENT AGREEMENT, JUNE 5 - 13, 2017

Line No.	Description	Estimated Year 2017			
		Suburban	ORA	Difference	Settlement
1.		(a)	(b)	(a) - (b)	
2.	<u>Company Funded Construction Projects</u>				
3.	<u>Specific Projects</u>				
4.	Plant 129 Reservoir	484,000	484,000	0	484,000
5.	Plant 408 - Site Grading and Walls, Pipeline, Santa Gertrudes Pipeline, Calmada and Lambert Valve Station, and Gunn and Lanning Valve Station	4,049,865	4,049,865	0	4,049,865
6.	Total Specific Projects	4,533,865	4,533,865	0	4,533,865
7.					
8.	<u>Annual and Direct Purchases Projects</u>				
9.	Pump Replacements at Various Locations	201,000	201,000	0	201,000
10.	QA Treatment Improvements	29,000	29,000	0	29,000
11.	Control Valve Refurbishment Program	140,000	140,000	0	140,000
12.	Air Release Valve Replacements	51,000	51,000	0	51,000
13.	Blow-off Replacements	164,000	164,000	0	164,000
14.	Governmental Projects	294,000	294,000	0	294,000
15.	Valve Replacements	515,000	515,000	0	515,000
16.	Vault Replacements	21,000	21,000	0	21,000
17.	Plant Improvements (Various Locations)	257,000	192,024	64,976	257,000
18.	Plant Paving Project	46,000	46,000	0	46,000
19.	Security Upgrades	155,000	155,000	0	155,000
20.	GIS and Model System Upgrades	99,000	99,000	0	99,000
21.	Services	1,864,000	1,864,000	0	1,864,000
22.	Meters Replacements	274,000	616,023	(342,023)	274,000
23.	Meters Installations	146,000	146,000	0	146,000
24.	Hydrants	548,000	440,774	107,226	548,000
25.	Office Furniture	44,000	44,000	0	44,000
26.	Office Equipment	6,000	6,000	0	6,000
27.	Personal Computers	225,000	225,000	0	225,000
28.	Software	2,000	2,000	0	2,000
29.	Vehicle Replacement	0	132,440	(132,440)	0
30.	Communication Equipment (SCADA)	35,000	35,000	0	35,000
31.	Tools, Shop and Garage Equipment	42,000	42,000	0	42,000
32.	Total Annual and Direct Purchases Projects	5,158,000	5,460,261	(302,261)	5,158,000
33.					
34.	<u>Pipeline Projects</u>				
35.	Plant 413 Suction Line - Construct 3,180LF of 24-inch DIP	2,003,000	2,003,000	0	2,003,000
36.	Oakbury and La Fonda	1,146,000	1,146,000	0	1,146,000
37.	Stanton & Rosalita (Steel Pipe) Pipeline	1,342,000	1,342,000	0	1,342,000
38.	Misc. Pipeline Replacements	867,000	623,229	243,771	867,000
39.	Total Pipeline Projects	5,358,000	5,114,229	243,771	5,358,000
40.					
41.	Total Company Funded Expenditures	\$15,049,865	\$15,108,355	(\$58,490)	\$15,049,865

SUBURBAN WATER SYSTEMS GRC, A.17-01-001
TOTAL COMPANY CAPITAL EXPENDITURES, DOLLARS
SETTLEMENT AGREEMENT, JUNE 5 - 13, 2017

Line No.	Description	Test Year 2018			
		Suburban	ORA	Difference	Settlement
1.		(a)	(b)	(a) - (b)	
2.	<u>Company Funded Construction Projects</u>				
3.	<u>Specific Projects</u>				
4.	Plant 408 - Site Grading and Walls, Pipeline, Santa Gertrudes Pipeline, Calmada and Lambert Valve Station, and Gunn and Lanning Valve Station	1,577,302	1,577,302	0	1,577,302
5.	Plant 408 Site Electrical	230,692	230,692	0	230,692
6.	Plant 408 Reservoir 1	1,790,000	863,835	926,166	1,790,000
7.	Central Basin Well - Drilling	1,251,000	0	1,251,000	0
8.	Plant 209 Pump Station	1,861,000	601,467	1,259,533	1,861,000
9.	Plant 507 R-2 - Reservoir Rehabilitation	358,000	358,000	0	358,000
10.	Plant 109 Reservoir Overflow	92,000	92,000	0	92,000
11.	Reservoir Rafter Project	79,000	79,000	0	79,000
12.	Plant 217 Reservoir Recoating	76,000	76,000	0	76,000
13.	Jacqueline and Kimberly Service Replacement	327,000	327,000	0	327,000
14.	Beckner Street - Beckner from Orange to Tonopah	247,000	247,000	0	248,000
15.	Tract No. 48636 - California and Royal Palm Services	55,000	55,000	0	55,000
16.	WLM Valve Station Replacement - L&W	100,000	100,000	0	100,000
17.	Circle Hill and Bolar Valve Station Replacement	64,000	64,000	0	64,000
18.	340 Zone Reliability - Construct additional source to the 340 zone	289,000	289,000	0	289,000
19.	600 Zone Reliability (La Serna) - Install 4,080L.F. of PVC pipe	840,000	840,000	0	840,000
20.	Lambert and Santa Fe Springs	45,000	45,000	0	45,000
21.	Willow Channel Crossing	246,000	246,000	0	246,000
22.	La Mirada Wells Treatment	433,000	433,000	0	433,000
23.	Water Rights			0	800,000
24.	Total Specific Projects	9,960,994	6,524,296	3,436,699	9,510,994
25.					
26.	<u>Annual and Direct Purchases Projects</u>				
27.	Pump Replacements at Various Locations	426,000	207,231	218,769	426,000
28.	QA Treatment Improvements	104,000	104,000	0	104,000
29.	Control Valve Refurbishment Program	140,000	140,000	0	140,000
30.	Air Release Valve Replacements	57,000	57,000	0	57,000
31.	Blow-off Replacements	165,000	165,000	0	165,000
32.	Governmental Projects	294,000	294,000	0	294,000
33.	Valve Replacements	572,000	572,000	0	572,000
34.	Vault Replacements	21,000	21,000	0	21,000
35.	Plant Improvements (Various Locations)	257,000	197,784	59,216	257,000
36.	Plant Paving Project	47,000	47,000	0	47,000
37.	Security Upgrades	155,000	155,000	0	155,000
38.	GIS and Model System Upgrades	141,000	141,000	0	141,000
39.	Services	1,994,000	1,994,000	0	1,994,000
40.	Meters Replacements	1,552,000	633,714	918,286	1,552,000
41.	Meters Installations	407,000	149,212	257,788	407,000
42.	Hydrants	630,000	451,352	178,648	630,000
43.	Office Furniture	44,000	44,000	0	44,000
44.	Office Equipment	54,000	54,000	0	54,000
45.	Personal Computers	175,000	175,000	0	175,000
46.	Software	2,000	2,000	0	2,000

Line No.	Description	Test Year 2018			
		Suburban	ORA	Difference	Settlement
1.		(a)	(b)	(a) - (b)	
2.	<u>Company Funded Construction Projects</u>				
3.	<u>Annual and Direct Purchases Projects (Continued)</u>				
4.	Vehicle Replacement	1,537,000	95,439	1,441,561	397,879
5.	Communication Equipment (SCADA)	35,000	35,000	0	35,000
6.	Tools, Shop and Garage Equipment	159,000	159,000	0	159,000
7.	Total Annual and Direct Purchases Projects	8,968,000	5,893,732	3,074,268	7,828,879
8.					
9.	<u>Pipeline Projects</u>				
10.	La Sierra & Via Sierra (Steel Pipe) Pipeline	216,000	216,000	0	216,000
11.	Alondra & La Mirada	214,000	214,000	0	214,000
12.	Sunkist & Meeker (Steel Pipe) Pipeline	314,000	314,000	0	0
13.	Neil St. (STLDDW)	177,000	177,000	0	0
14.	Hemphill & Backton (AC Pipe)	178,000	0	178,000	0
15.	Homeland & Russell (Steel Pipe) Pipeline	205,000	205,000	0	205,000
16.	Pescados and Watkins Pipeline	426,000	426,000	0	426,000
17.	Cullen St. (AC)	493,000	0	493,000	0
18.	Cheshire St. (Steel Pipe)	159,000	159,000	0	159,000
19.	Safari Pipeline	1,407,000	0	1,407,000	0
20.	Orsa Dr. & Mart Dr. (AC)	711,000	0	711,000	0
21.	Landmark Dr. & Cleargen Ave. & Imperial Hwy (AC)	619,000	0	619,000	0
22.	Grayling Ave. & Maybrook at N/O Woodbrier Dr. (AC)	670,000	0	670,000	0
23.	Red Coach Ln (AC)	318,000	0	318,000	0
24.	Florita Rd. (AC)	210,000	0	210,000	0
25.	Bora Dr. (AC)	835,000	0	835,000	0
26.	Lashburn St. & Fernview St. (AC)	426,000	0	426,000	0
27.	Ditmar Dr. (AC)	530,000	0	530,000	0
28.	Starbuck St. (AC)	405,000	0	405,000	0
29.	La Alba. (STLDDW)	368,000	368,000	0	368,000
30.	Loukelton between Del Valle and	1,406,000	0	1,406,000	1,406,000
31.	Cullman Ave between Lisco and Lashburn	333,000	0	333,000	0
32.	Larimore Ave. & Lanny Ave. (AC)	310,000	0	310,000	0
33.	Doublegrove St. (AC)	655,000	0	655,000	0
34.	1st Ave. (AC)	465,000	0	465,000	465,000
35.	Whittier Blvd. Crossing	271,000	271,000	0	271,000
36.	Valinda Pipeline	226,000	0	226,000	0
37.	Elmbrock and Cobblestone	653,000	0	653,000	0
38.	Lawnwood and Aileron Pipeline			0	256,000
39.	Misc. Pipeline Replacements	986,000	638,187	347,813	986,000
40.	Total Pipeline Projects	14,186,000	2,988,187	11,197,813	4,972,000
41.					
42.	Total Company Funded Expenditures	\$33,114,994	\$15,406,215	\$17,708,779	\$22,311,873

SUBURBAN WATER SYSTEMS GRC, A.17-01-001
TOTAL COMPANY CAPITAL EXPENDITURES, DOLLARS
SETTLEMENT AGREEMENT, JUNE 5 - 13, 2017

Line No.	Description	Attrition Year 2019			
		Suburban	ORA	Difference	Settlement
1.		(a)	(b)	(a) - (b)	
2.	<u>Company Funded Construction Projects</u>				
3.	<u>Specific Projects</u>				
4.	Plant 408 Reservoir 2	1,790,000	863,835	926,166	1,790,000
5.	Plant 408 Reservoir 3	1,443,000	1,443,000	0	1,443,000
6.	Water Rights	2,000,000	0	2,000,000	1,200,000
7.	Plant 507 R-1 - Reservoir Rehabilitation	398,959	398,959	0	398,959
8.	Central Basin Well - Piping, Equipping and Building	1,180,000	0	1,180,000	0
9.	Mobile Diesel Generator	264,000	264,000	0	264,000
10.	Plant 238 Pump Station Upgrades Diesel Generator and VFD	522,000	522,000	0	522,000
11.	Plant 161 Pump Station - 800 Zone Reliability Project	826,000	826,000	0	826,000
12.	Melissa and Marcella Service Replacement	505,000	505,000	0	505,000
13.	Solejar & Janison Valve Station Replacement	87,000	87,000	0	87,000
14.	Syracuse Pipeline between Valley View and Starlight	310,000	0	310,000	310,000
15.	Total Specific Projects	9,325,959	4,909,794	4,416,166	7,345,959
16.					
17.	<u>Annual and Direct Purchases Projects</u>				
18.	Pump Replacements at Various Locations	595,000	213,448	381,552	595,000
19.	QA Treatment Improvements	29,000	29,000	0	29,000
20.	Control Valve Refurbishment Program	140,000	140,000	0	140,000
21.	Air Release Valve Replacements	62,000	62,000	0	62,000
22.	Blow-off Replacements	171,000	171,000	0	171,000
23.	Governmental Projects	294,000	294,000	0	294,000
24.	Valve Replacements	630,000	630,000	0	630,000
25.	Vault Replacements	21,000	21,000	0	21,000
26.	Plant Improvements (Various Locations)	257,000	203,797	53,203	257,000
27.	Plant Paving Project	48,000	48,000	0	48,000
28.	Security Upgrades	155,000	155,000	0	155,000
29.	GIS and Model System Upgrades	107,931	107,931	0	107,931
30.	Services	2,123,000	2,123,000	0	2,123,000
31.	Meters Replacements	1,538,000	647,203	890,797	1,538,000
32.	Meters Installations	407,000	153,092	253,908	407,000
33.	Hydrants	711,000	463,990	247,010	711,000
34.	Office Furniture & Equipment			0	
35.	Office Furniture	44,000	44,000	0	44,000
36.	Office Equipment	6,000	6,000	0	6,000
37.	Personal Computers & Software			0	
38.	Personal Computers	48,000	48,000	0	48,000
39.	Software	2,000	2,000	0	2,000
40.	Vehicle Replacement	1,172,000	110,517	1,061,483	124,517
41.	Communication Equipment (SCADA)	35,000	35,000	0	35,000
42.	Tools, Shop and Garage Equipment	42,000	42,000	0	42,000
43.	Total Annual and Direct Purchases Projects	8,637,931	5,749,978	2,887,953	7,590,448

Line No.	Description	Attrition Year 2019			
		Suburban	ORA	Difference	Settlement
1.		(a)	(b)	(a) - (b)	
2.	<u>Company Funded Construction Projects</u>				
3.	<u>Pipeline Projects</u>				
4.	Safari Pipeline			0	0
5.	Orsa Dr. & Mart Dr. (AC)			0	711,000
6.	Grayling Ave. & Maybrook at N/O Woodbrier Dr. (AC)			0	670,000
7.	Cullman Ave between Lisco and Lashburn			0	333,000
8.	Elmbrock and Cobblestone			0	653,000
9.	Hornell and Stamy	170,000	170,000	0	0
10.	Grayling and Larrylin Pipeline Replacement	371,000	0	371,000	0
11.	Larimore Ave. & Lanny Ave. (AC)	0	0	0	310,000
12.	Valencia Heights Tie-In on Los Cerillos	110,000	110,000	0	110,000
13.	Orange, Glenmere, Lang, Randall, Forrest	1,072,000	0	1,072,000	1,072,000
14.	Mulvane and Valinda Pipeline	326,000	0	326,000	0
15.	Mills and Carnell Pipeline	305,000	0	305,000	0
16.	Wexford and Lambert Pipeline	220,000	0	220,000	0
17.	Idahome and Fleetwell Pipeline	357,000	0	357,000	0
18.	Glenhope and Ruthcrest Pipeline	941,000	0	941,000	941,000
19.	Lawnwood and Aileron Pipeline	256,000	0	256,000	0
20.	Dancover and Cameron Pipeline	264,000	123,200	140,800	0
21.	San Ardo and Neartree Pipeline	472,000	472,000	0	0
22.	Borda and San Ardo Pipeline	337,000	337,000	0	0
23.	Nantes and Ivanell Pipeline	678,000	0	678,000	0
24.	Glenhope and Damrel	270,000	0	270,000	0
25.	Montbrook and Glenhope	510,000	0	510,000	510,000
26.	Aranza and Alicante	375,000	0	375,000	0
27.	La Pluma Pipeline	347,000	347,000	0	0
28.	Firebird Pipeline	411,000	0	411,000	0
29.	Scribner Pipeline	284,000	0	284,000	0
30.	Helmer Pipeline	382,000	0	382,000	0
31.	Foxley Pipeline	220,000	114,521	105,479	0
32.	Dunton Pipeline	467,000	135,581	331,419	467,000
33.	Wexford & Wellsford	413,000	0	413,000	0
34.	Washington & Appledale	366,000	0	366,000	0
35.	Rosehedge & Calobar	397,000	0	397,000	0
36.	Blanding & Eddystone	803,000	0	803,000	0
37.	Falston Ave. & Marchmont Ave. & Gayland Ave. (AC)	1,579,000	0	1,579,000	1,579,000
38.	Harmsworth Ave. (AC)	437,000	0	437,000	0
39.	Hambleton Ave. (AC)	199,000	0	199,000	199,000
40.	Prichard St. & Moccasin St. (AC)	1,072,000	0	1,072,000	1,072,000
41.	Foster Rd. (AC)	262,000	0	262,000	0
42.	Villaverde Dr. (AC)	316,000	0	316,000	0
43.	Misc. Pipeline Replacements	1,104,000	656,056	447,944	1,104,000
44.	Total Pipeline Projects	16,093,000	2,465,357	13,627,643	9,731,000
45.					
46.	Total Company Funded Expenditures	\$34,056,890	\$13,125,129	\$20,931,761	\$24,667,407

IX. INDIRECT COST ALLOCATION

There are two sets of costs to be allocated to Suburban and its affiliates in this proceeding. First is the allocation of indirect costs of Suburban's parent company, SouthWest Water Company ("SouthWest"), to Suburban and its affiliates, including an affiliate involved in non-regulated service contract operations. At the time the application was filed, there were nine service contracts under which SouthWest provides operating services. Second is the allocation of the costs of the Utility Group business unit, which provides management, regulatory and communications services to Suburban and its affiliates.

A. Parent Company Expenses Before Allocation

Suburban	ORA
\$11,265,781	\$10,544,072

For purposes of settlement, the Parties agreed to set the salary and incentive compensation for four executives based on test year 2015 adopted in Decision 14-12-038 escalated to test year 2018 using the April 2017 escalation factor as reasonable. The calculation is partly based on capitalized internal labor associated with company funded IT projects, an issue that is being litigated, and therefore will be determined after that issue has been resolved. In any event, any ultimate disallowance of requested company funded IT projects will result in reverting the associated capitalized labor cost back to the regular Administrative and General payroll expenses that is part of allocable parent company expense.

REFERENCES: Exh. SWS-03, p. 56, Table 5-2; Exh. ORA-03-C, pp. 13-19; Exh. SWS-29, pp. 3-9; Exh. SWS-31, pp. 5-11.

B. Utility Group Expenses Before Allocation

Suburban	ORA	Settlement
\$1,270,370	\$751,295	\$1,051,537

ORA objected to the significant increase in Administrative and General Costs associated with the Utility Group, and in particular the payroll and benefit categories associated with the addition of two new positions. For purposes of settlement, the Parties agreed to exclude one new position, Regulatory Affairs Manager – TX and associated expenses, and to adjust the payroll costs associated with the position of Vice President Regulatory Affairs based on the average of 2015 recorded escalated to 2018 and estimated 2016 escalated to 2018.

REFERENCES: Exh. SWS-01, p. 5-5; Exh. SWS-03, p. 58, Table 5-2C; Exh. ORA-03-C pp. 45-49; Exh. SWS-15, pp. 17-19.

C. Cost Allocation Methodology

Parent Company Three Factor Allocation

Suburban	ORA	Settlement
46.5%	44.10%	44.80%

Utility Group Three Factor Allocation

Suburban	ORA	Settlement
49.50%	44.10%	44.80%

Initial differences between the Parties on cost allocation factors for both parent company expenses and Utility Group expenses related to the gross plant value associated with nine service contracts held by Suburban’s affiliate. The settlement adopted by the Commission in Decision 14-12-038 required Suburban’s parent company to “work diligently to divest itself of its remaining operations service contracts”. However, Suburban was unable to provide the gross plant value associated with the contracts in its three-factor allocation calculation.

The Parties will apply the same three-factor allocation method for both Parent Company Costs and Utility Group expenses based on operating expenses, payroll, and gross plant.

Suburban does not have gross plant information for the nine companies that are served under the

contracts, so ORA estimated the associated gross plant value to be \$99,398,936 using a “payroll multiplier” derived from the SouthWest affiliate that provides the service. For purposes of settlement, the Parties agreed to employ 65% of ORA’s estimated gross plant “payroll multiplier” for the relevant SouthWest affiliate in calculating the gross plant allocation factor. The total Utility Group expenses allocated to Suburban using this method are \$471,089 for test year 2018. Parent Company cost allocations will be determined following the Commission’s ruling on the IT capital costs issue that is being litigated, which factors into the final calculation. REFERENCES: D.14-12-038, Attachment 1, p. 31; Exh. SWS-01, p. 5-6; Exh. SWS-03, pp. 56, 58, Table 5-2, 5-2C; Exh. SWS-10, pp. 38-44; Exh. ORA-04, pp. 31-44; Exh. SWS-11, pp. 7-12; Exh. SWS-15, pp. 16-17.

X. MEMORANDUM AND BALANCING ACCOUNTS

A. Employee Healthcare Balancing Account Under-Collection Recovery

Suburban	ORA	Settlement
100%	85%	85%

Suburban requested that the Commission authorize replacing its existing Employee Healthcare Balancing Account, which allows it to recover 85% of actual healthcare costs in excess of adopted costs in rates, with a new account allowing 100% rate recovery. ORA’s position was that no change to the existing account is warranted. For purposes of settlement, Suburban accepted ORA’s proposal to maintain the existing balancing account recovery rate. REFERENCES: SWS-10, pp. 54-56; Exh. ORA-02, pp. 248-249.

XI. SPECIAL REQUESTS

A. Multiple Miscellaneous Offsets (Special Request #4)

1. One Time Surcharge/CCF, Applicable to All Customers

Suburban	ORA	Settlement
\$0.10	\$0.10	\$0.12

ORA did not oppose the authorization of one-time customer surcharges for ten of the eleven miscellaneous offsets requested, but ORA did not agree to the surcredit for the CCPMA program. For purposes of settlement, Suburban accepted ORA's proposal to exclude the CCPMA offset from the calculation and to apply the remaining over-collection balance of \$39,908 as a reduction to expense account 792 SC 332 - Computer Cost Miscellaneous in test year 2018.

REFERENCES: Exh. SWS-07, pp. 2-14; Exh. ORA-02, pp. 243-246; Exh. SWS-15, pp. 25-26; Exh. SWS-08, pp. 2-10.

B. Low Income Ratepayer Assistance ("LIRA") Memorandum Account Surcharge Update (Special Request #5).

For purposes of settlement, ORA agreed that Suburban will amortize the Low Income Ratepayer Assistance ("LIRA") Memorandum Account under-collection balance of \$419,830 as of September 30, 2016 as a surcharge over twelve months, based on the final water sales demand forecast that the Parties agreed upon in this Settlement Agreement.

For purposes of settlement, Suburban accepted ORA's proposal to increase the LIRA surcharge and surcredit by the same percentage as the increase in rates adopted by the Commission in this proceeding.

REFERENCES: Exh. ORA-02, pp. 249-250; Exh. SWS-15, p. 28.

C. Water Revenue Adjustment Mechanism (“WRAM”) and Mandatory Conservation Memorandum Account (“MCMA”) Surcredit (Special Request #6).

At the time of the 2017 GRC application, Suburban had a net over-collection of \$2,942,624 in the combined Water Revenue Adjustment Mechanism (“WRAM”) and Mandatory Conservation Memorandum Account (“MCMA”) accounts. Drought surcharges included in the WRAM were used to fund MCMA expenses.

For purposes of settlement, ORA agreed that Suburban should refund to residential customers over a one-year period the WRAM over-collection balance after reduction by projected future WRAM (2017 - 2020) accruals in the amount of \$1,542,670 (\$1,001,461 in San Jose Hills Service area, and \$541,209 in Whittier/La Mirada service area). ORA agreed to a resulting surcredit of \$0.080/ccf to San Jose Hills Service Area residential customer bills and a resulting surcredit of \$0.141/ccf to Whittier/La Mirada Service Area residential customer bills. REFERENCES: Exh. SWS-01, p. 12-4; Exh. ORA-02, p. 250; Exh. SWS-15, pp. 26-27.

XII. PROCEDURE

A. Discovery

For purposes of settlement, the Parties agreed upon measures to reduce future conflict in the context of discovery. In the next GRC, the Parties will hold weekly calls during discovery with Suburban and ORA attorneys and staff. A ten-business-day data request response time will be adopted, but the Parties will attempt to respond within seven calendar days. The Parties will respect any priority assigned to data requests by the requesting party. The Parties will also expedite any joint motions required to resolve issues during discovery.

REFERENCES: Exh. ORA-03-C, pp. 52-60; ORA Motion on Discovery and Confidentiality Matters, Feb. 22, 2017; Suburban Response to Motion on Discovery and Confidentiality Matters, March 6, 2017.

B. External Audits

For purposes of settlement, Suburban agreed to present an estimate of the increase in costs for accelerated external audits for Suburban and its affiliates in the next GRC filing. If audits are accelerated, Suburban ratepayers will pay the added audit cost at 100% for Suburban's audit, and based on Parent Company allocations of the added cost of Suburban affiliates' audits.

C. Attrition Year Rate Changes

For purposes of settlement, the Parties agreed that Suburban will file Tier 1 advice letters for Suburban's 2019 and 2020 attrition year rate changes, regardless of whether Suburban passes the Commission's pro forma earnings tests for those years, and that Suburban will not reduce rates in any service area solely because the pro forma earnings test result show that Suburban was over-earning.

REFERENCES: Exh. ORA-02, pp. 256-257; Exh. SWS-15, pp. 28-29.

D. No Fines

ORA requested that the Commission consider imposing penalties on Suburban related to discovery disputes and compliance with past decisions. For purposes of settlement, ORA agrees that no fines or penalties should be imposed on Suburban.

REFERENCES: Exh. ORA-01-C, pp. 52-64; Exh. SWS-24, p. 12-13.

XIII. EXECUTION AND APPROVAL

This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

By signing below, each signatory for a Party represents and warrants that he/she is authorized to sign this Settlement Agreement on such Party's behalf and thereby bind such Party to the terms of this Settlement Agreement.

The Parties agreed to use their best efforts to obtain Commission approval of the Settlement Agreement. The Parties shall request that the Commission approve the Settlement Agreement without change and find the Settlement Agreement to be reasonable, consistent with the law, and in the public interest.

Dated: August 15, 2017

Respectfully submitted,

OFFICE OF RATEPAYER ADVOCATES

SOUTHWEST WATER COMPANY

By: 
Elizabeth Echols
Director
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Tel: (415) 703-2381
Fax: (415) 703-2057
Email: Elizabeth.echols@cpuc.ca.gov

By: _____
Robert L. Kelly
Vice President
SouthWest Water Company
1325 N. Grand Avenue, Suite 100
Covina, CA 91724
Telephone: (626)543-2500
Email: bkelly@swwc.com

By signing below, each signatory for a Party represents and warrants that he/she is authorized to sign this Settlement Agreement on such Party's behalf and thereby bind such Party to the terms of this Settlement Agreement.

The Parties agreed to use their best efforts to obtain Commission approval of the Settlement Agreement. The Parties shall request that the Commission approve the Settlement Agreement without change and find the Settlement Agreement to be reasonable, consistent with the law, and in the public interest.

Dated: August 15, 2017

Respectfully submitted,

OFFICE OF RATEPAYER ADVOCATES

SOUTHWEST WATER COMPANY

By: _____
Elizabeth Echols
Director
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Tel: (415) 703-2381
Fax: (415) 703-2057
Email: Elizabeth.echols@cpuc.ca.gov

By:  _____
Robert L. Kelly
Vice President
SouthWest Water Company
1325 N. Grand Avenue, Suite 100
Covina, CA 91724
Telephone: (626)543-2500
Email: bkelly@swwc.com

APPENDIX A: INDEX OF EXHIBITS

SWS-01	Suburban Water Systems, Results of Operations For Test Years Ending December 31, 2018 and 2019, and Attrition Year 2020
SWS-02	Suburban Water Systems, Draft Urban Water Management Plan
SWS-03	Suburban Water Systems, Minimum Data Requirements Volume I
SWS-04-C	Suburban Water Systems, Minimum Data Requirements Volume II, Confidential Version
SWS-05	Suburban Water Systems, Minimum Data Requirements Volume II, Public Version
SWS-06	Prepared Testimony of Christian L. Aldinger
SWS-07	Prepared Testimony of Brian Bahr
SWS-08	Rebuttal Testimony of Brian Bahr
SWS-09-C	Revised Prepared Testimony of Walter J. Bench, Updated Confidential Version
SWS-10	Revised Prepared Testimony of Walter J. Bench, Public Version
SWS-11	Rebuttal Testimony of Walter J. Bench
SWS-12	Prepared Testimony of John Brettl
SWS-13	Prepared Testimony of Kiki Carlson
SWS-14-C	Rebuttal Testimony of Kiki Carlson, Confidential Version
SWS-15	Rebuttal Testimony of Kiki Carlson, Public Version
SWS-16-C	Prepared Testimony of Jeff Farney, Confidential Version
SWS-17	Prepared Testimony of Jeff Farney, Public Version
SWS-18	Rebuttal Testimony of Jeff Farney
SWS-19	Prepared Testimony of George Freitag
SWS-20	Prepared Testimony of Wendy L. Illingworth
SWS-21	Rebuttal Testimony of Wendy L. Illingworth
SWS-22	Prepared Testimony of Stephen B. Johnson
SWS-23	Prepared Testimony of Robert L. Kelly
SWS-24	Rebuttal Testimony of Robert L. Kelly
SWS-25	Prepared Testimony of Jorge A. Lopez Volume I
SWS-26	Prepared Testimony of Jorge A. Lopez Volume II
SWS-27	Rebuttal Testimony of Jorge A. Lopez
SWS-28-C	Prepared Testimony of Jocelyn Padilla, Updated Confidential Version
SWS-29	Prepared Testimony of Jocelyn Padilla, Public Version
SWS-30-C	Rebuttal Testimony of Jocelyn Padilla, Confidential Version
SWS-31	Rebuttal Testimony of Jocelyn Padilla, Public Version
SWS-32	Revised Prepared Testimony of Darlene Phares
SWS-33	Rebuttal Testimony of Darlene Phares
SWS-34	Suburban Water Systems, Workpapers Volume I

SWS-35-C	Suburban Water Systems, Workpapers Volume II-A, Updated Confidential Version
SWS-36	Suburban Water Systems, Workpapers Volume II-A, Public Version
SWS-37-C	Suburban Water Systems, Workpapers Volume II-B, Confidential Version
SWS-38	Suburban Water Systems, Workpapers Volume II-B, Public Version
SWS-39-C	Suburban Water Systems, Workpapers Volume III-A Project Descriptions, Confidential Version
SWS-40	Suburban Water Systems, Workpapers Volume III-A Project Descriptions, Public Version
SWS-41	Workpapers Volume III-B, Project Descriptions
SWS-42	Workpapers Volume III-C, Project Descriptions
SWS-43-C	Suburban Water Systems, Workpapers Volume III-D Control Valve Station AMP and Reservoir AMP, Updated Confidential Version
SWS-44	Suburban Water Systems, Workpapers Volume III-D Control Valve Station AMP and Reservoir AMP, Public Version
SWS-45-C	Suburban Water Systems, Workpapers Volume III-E Water Main AMP and GIS Master Plan, Confidential Version
SWS-46	Suburban Water Systems, Workpapers Volume III-E Water Main AMP and GIS Master Plan, Public Version
SWS-47-C	Suburban Water Systems, Workpapers Volume III-F SJH Master Plan and WLM Master Plan, Updated Confidential Version
SWS-48	Suburban Water Systems, Workpapers Volume III-F SJH Master Plan and WLM Master Plan, Public Version
SWS-49	Suburban Water Systems, Rebuttal Workpapers
ORA-01-C	Office of Ratepayer Advocates, Report on the Results of Operations Suburban Water Systems, Test Year 2018 and Escalation Years 2019 and 2020, Confidential Version
ORA-02	Office of Ratepayer Advocates, Report on the Results of Operations Suburban Water Systems, Test Year 2018 and Escalation Years 2019 and 2020, Public Version
ORA-03-C	Office of Ratepayer Advocates, Report on Suburban Water Systems' Parent Company, SouthWest Cost Allocations, Test Year 2018 and Escalation Years 2019 and 2020, Confidential Version
ORA-04	Office of Ratepayer Advocates, Report on Suburban Water Systems' Parent Company, SouthWest Cost Allocations, Test Year 2018 and Escalation Years 2019 and 2020, Public Version

APPENDIX B: SUMMARY OF EARNINGS**Test Year 2018**

	Suburban	ORA	Difference	Settlement
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OPERATING REVENUES, PROPOSED RATES

Water Service Revenues, Excludes P.U.C. Reimbursement Fee	\$83,290,551	\$79,850,993	\$3,439,557	
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P.U.C. Reimbursement Fee	\$1,199,384	\$1,149,854	\$49,530	
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Other Water Revenues	\$465,230	\$465,230	\$0	\$465,230
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Amortization Of Deferred Revenues	\$5,048	\$5,048	\$0	\$5,048
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TOTAL OPERATING REVENUES**OPERATION EXPENSES**

Payroll Expense	\$9,972,897	\$7,493,511	\$2,479,385	\$8,783,840
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Volume Related Expenses	\$25,897,596	\$33,296,349	(\$7,398,752)	\$29,871,602
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CR Reimbursements	(\$42,128)	(\$240,021)	\$197,894	(\$170,074)
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Other Operating Expenses	\$14,161,791	\$12,097,752	\$2,064,039	LITIGATE
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Depreciation Expense	\$9,208,397	\$8,967,029	\$241,368	\$9,032,229
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Payroll Taxes	\$825,389	\$616,180	\$209,209	\$730,784
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Ad Valorem Taxes	\$1,461,044	\$1,357,628	\$103,416	\$1,400,226
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Income Tax Expense	\$7,168,909	\$2,511,001	\$4,657,909	LITIGATE
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P.U.C. Reimbursement Fee	\$1,199,384	\$1,149,854	\$49,530	
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Franchise Expense	\$1,022,220	\$980,694	\$41,526	
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Uncollectibles	\$183,239	\$119,776	\$63,463	
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TOTAL OPERATION EXPENSES**NET OPERATING INCOME****RATE BASE:**

Suburban	\$13,901,474	\$13,121,373	\$780,101	
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Parent Company	\$160,874,113	\$152,379,908	\$8,494,205	\$155,860,132
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TOTAL RATE BASE

	\$560,337	\$0	\$560,337	LITIGATE
	\$161,434,450	\$152,379,908	\$9,054,542	

8.64%	8.61%
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APPENDIX B

TABLE 1
SUBURBAN WATER SYSTEMS
Revenue Requirement Increase

	Test Year 2018	2019	2020
Revenue Requirement	\$80,985,407	\$83,195,480	\$87,312,559
Increase (\$)	\$4,925,226	\$2,199,127	\$4,117,079
Increase (%)	6.48%	2.72%	4.95%

APPENDIX C

A.17-01-001 SUPPLEMENT TO THE APPLICATION ATTACHMENT B

**PROPOSAL FOR ADJUSTMENTS TO RATES
TO AMORTIZE UNDER-COLLECTION IN ITS PURCHASED WATER, PUMP TAX,
AND PURCHASED POWER RESERVE ACCOUNTS
FOR THE PERIOD OF JULY 2015 – JUNE 2017**

Submitted September 21, 2017

(Originally submitted as ADVICE LETTER NO. 323-W September 11, 2017 and subsequently amended).

Suburban Water Systems (“Suburban”) hereby transmits the following changes in tariff schedules applicable to its service area and which are attached as Supplement to the Application Attachment C:

CPUC Sheet No.	Title of Sheet	Canceling CPUC Sheet No.
xxxx-W	Schedule SJ-1 (Continued) San Jose Hills Service Area – Residential Metered Service	1515-W
xxxx-W	Schedule SJ-2 (Continued) San Jose Hills Service Area – Non Residential Metered Service	1516-W
xxxx-W	Schedule SJ-3 (Continued) San Jose Hills Service Area – Recycled Water Metered Service	1517-W
xxxx-W	Schedule WLM-1 (Continued) Whittier/La Mirada Service Area – Residential Metered Service	1518-W
xxxx-W	Schedule WLM-2 (Continued) Whittier/La Mirada Service Area – Non Residential Metered Service	1519-W

Suburban Water Systems (Suburban) hereby seeks authorization to amortize the net under collection in the purchased water, pump tax, and purchased power reserve accounts for the period of July 1, 2015 – June 30, 2017 through a temporary surcharge of water used in San Jose Hills and Whittier/La Mirada Service Areas.

San Jose Hills Service Area

By this Supplement to the Application, Suburban seeks adjustment to its Tariff Rates for:

- Potable Water:
Tariff Schedule No. SJ-1 – Residential Metered Service, and Tariff Schedule No. SJ-2 – Non Residential Metered Service, by assessing a surcharge of \$0.108 per 100 cubic feet of water used to recover a \$2,330,520 under collection including interest over a period approximately 24 months, commencing March 1, 2018.
- Recycled Water:
Tariff Schedule No. SJ-3 – Recycled Water Metered Service, by assessing a surcharge of \$0.084 per 100 cubic feet of water used to recover a \$66,581 under collection including interest over a period approximately 24 months, commencing March 1, 2018.

As of June 30, 2017, Suburban served about 42,507 potable water metered customers. In this filing, the recovery includes the following:

- An under collection amount of \$2,304,123 from July 1, 2015 through June 30, 2017.
- A 1.31% franchise fee amount of \$30,184 related to the under-collection request.
- A 0.26% uncollectible amount of \$5,991 related to the under-collection.
- An interest amount of \$18,011 for the months of July 1, 2017 through February 28, 2018.
- An interest amount of \$28,403 for the months of March 1, 2018 through February 29, 2020.
- An overcollection of \$56,192 for previously approved amortization amounts (AL 313-W-A).

As of June 30, 2017, Suburban served about 42 of recycled water metered customers. In this filing, the recovery includes the following:

- An undercollection amount of \$65,095 from July 1, 2015 through June 30, 2017.
- A 1.31% franchise fee amount of \$853 related to the under-collection request.
- A 0.26% uncollectible amount of \$169 related to the under-collection.
- An interest amount of \$515 for the months of July 1, 2017 through February 28, 2018.
- An interest amount of \$811 for the months of March 1, 2018 through February 29, 2020.
- An undercollection of \$1,259 for previously approved amortization amounts (AL 313-W-A).
- An overcollection of \$2,121 for previously approved amortization amounts (AL 308-W).

Whittier/La Mirada Service Area

By this Supplement to the Application, Suburban seeks adjustment to its Tariff Schedule No. WLM-1 – Residential Metered Service, and Tariff Schedule No. WLM-2 – Non Residential Metered Service, by assessing a surcharge of \$0.181 per 100 cubic feet of water used in order to recover a \$1,570,930 under collection including interest over a period approximately 12 months, commencing March 1, 2018.

As of June 30, 2017, Suburban served about 33,716 metered customers in its Whittier/La Mirada Service Area. This recovery includes the following:

- An under collection amount of \$1,506,514 from July 1, 2015 through June 30, 2017.
- A 1.31% franchise fee amount of \$19,735 related to the under-collection request.
- A 0.26% uncollectible amount of \$3,917 related to the under-collection.
- An interest amount of \$12,212 for the months of July 1, 2017 through February 28, 2018.
- An interest amount of \$9,995 for the months of March 1, 2018 through February 28, 2019.

- An overcollection of \$12,581 for previously approved amortization amounts (AL 313-W-A).
- An undercollection of \$31,138 for previously approved amortization amounts (AL 308-W).

The workpapers supporting the requested balances are being supplied separately to the Water Division and the Office of Ratepayer Advocates.

The present rates for San Jose Hills and Whittier/La Mirada Service Areas became effective on January 1, 2017 by Advice Letter No. 318-W that implemented a step increase.

APPENDIX D

Suburban Water Systems
1325 N. Grand Ave., Ste. 100
Covina, CA 91724-4044

Revised Cal. P.U.C. Sheet No. xxxx-W
Canceling Revised Cal. P.U.C. Sheet No. 1515-W

Schedule SJ-1
(Continued)

SAN JOSE HILLS SERVICE AREA
RESIDENTIAL METERED SERVICE

SPECIAL CONDITIONS

6. As authorized by the California Public Utilities Commission (C.P.U.C.) pursuant to Decision xx-xx-xxx, beginning xxxx,, all bills are subject to a surcharge of \$0.108 per 100 cubic feet of water used. The surcharge will continue until the under-collection in the balancing account has been fully amortized, approximately 24 months.

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(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advise Letter No. _____ Robert L. Kelly _____
Name

Date Filed _____

Decision No. _____ Vice President _____
Title

Effective _____

Resolution No. _____

Suburban Water Systems
 1325 N. Grand Ave., Ste. 100
 Covina, CA 91724-4044

Revised Cal. P.U.C. Sheet No. xxxx-W
 Canceling Revised Cal. P.U.C. Sheet No. 1516-W

Schedule SJ-2
 (Continued)

SAN JOSE HILLS SERVICE AREA
NON RESIDENTIAL METERED SERVICE

SPECIAL CONDITIONS

6. As authorized by the California Public Utilities Commission (C.P.U.C.) pursuant to Decision xx-xx-xxx, beginning xxxx, all bills are subject to a surcharge of \$0.108 per 100 cubic feet of water used. The surcharge will continue until the under-collection in the balancing account has been fully amortized, approximately 24 months.

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(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advise Letter No. _____ Robert L. Kelly _____
 Name

Date Filed _____

Decision No. _____ Vice President _____
 Title

Effective _____

Resolution No. _____

Suburban Water Systems
1325 N. Grand Ave., Ste. 100
Covina, CA 91724-4044

Revised
Canceling Revised

Cal. P.U.C. Sheet No. xxxx-W
Cal. P.U.C. Sheet No. 1517-W

Schedule SJ-3
(Continued)

SAN JOSE HILLS SERVICE AREA
RECYCLED WATER METERED SERVICE

SPECIAL CONDITIONS

12. As authorized by the California Public Utilities Commission (C.P.U.C.) pursuant to Decision xx-xx-xxx, beginning xxxx, all bills are subject to a surcharge of \$0.084 per 100 cubic feet of water used. The surcharge will continue until the under-collection in the balancing account has been fully amortized, approximately 24 months.

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(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advise Letter No. _____ Robert L. Kelly
Name

Date Filed _____

Decision No. _____ Vice President
Title

Effective _____

Resolution No. _____

Suburban Water Systems
1325 N. Grand Ave. , Ste. 100
Covina, CA 91724-4044

Revised

Cal. P.U.C. Sheet No. xxxx-W

Canceling Revised

Cal. P.U.C. Sheet No. 1518-W

Schedule WLM-1
(Continued)

WHITTIER/LA MIRADA SERVICE AREA
RESIDENTIAL METERED SERVICE

SPECIAL CONDITIONS

6. As authorized by the California Public Utilities Commission (C.P.U.C.) pursuant to Decision xx-xx-xxx, beginning xxxx, all bills are subject to a surcharge of \$0.181 per 100 cubic feet of water used. The surcharge will continue until the under-collection in the balancing account has been fully amortized, approximately 12 months.

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(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advise Letter No. _____ Robert L. Kelly _____

Name

Date Filed _____

Decision No. _____ Vice President _____

Title

Effective _____

Resolution No. _____

Suburban Water Systems
1325 N. Grand Ave. , Ste. 100
Covina, CA 91724-4044

	<u>Revised</u>	Cal. P.U.C. Sheet No. <u>xxxx-W</u>
Canceling	<u>Revised</u>	Cal. P.U.C. Sheet No. <u>1519-W</u>

Schedule WLM-2
(Continued)

WHITTIER/LA MIRADA SERVICE AREA
NON RESIDENTIAL METERED SERVICE

SPECIAL CONDITIONS

6. As authorized by the California Public Utilities Commission (C.P.U.C.) pursuant to Decision xx-xx-xxx, beginning xxxx, all bills are subject to a surcharge of \$0.181 per 100 cubic feet of water used. The surcharge will continue until the under-collection in the balancing account has been fully amortized, approximately 12 months.

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(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advise Letter No. _____	Robert L. Kelly _____ Name	Date Filed _____
Decision No. _____	Vice President _____ Title	Effective _____
		Resolution No. _____